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Monday, June 16, 1986

# Advertising Age

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

Illustration by Gerhard Smith

# FLOVRISHING ROMAN AD BIZ FOVND

By RAYMOND SERAFIN

John Rokicki didn't set out to determine whether toga-clad men who never went to B-school really invented positioning. Nor did he anticipate solving the question "Who came first, the writer or the art director?"

Mr. Rokicki, now a copywriter at Doyle Dane Bernbach's Troy, Mich., office, was merely trying to come up with a master's thesis for a degree from Fairfield (Conn.) University's Graduate School of Corporate and Political Communication. His four years of Latin study at New ark (O.) High School and his interest in advertising led him to pursue the idea that advertising existed during the Roman Empire.

And his research led Mr. Rokicki to conclude that "advertising people, 20 centuries before the King of Beers was crowned, could write headlines, market imports, do brand extensions and place media."

He was surprised that he seemed to be breaking new ground. "There have been a lot of books that talked about the writings found on the walls of Pompeii, but they mostly concentrated on the graffiti, the 'Pseudolus loves Januarius' stuff," says Mr. Rokicki. Some 15,000 inscriptions have been found on the walls of the excavated cities of Pompeii and Herculaneum, which were buried by the lava of Mount Vesuvius in 79 A.D.

Mr. Rokicki pored through t[illegible]s of those writings and found evidence that wine marketing [illegible] time paralleled modern beer marketing. There were at least [illegible]0 wines, most of them branded, with price differentiations, point-of-purchase promotions and endorsements by poets such as Horace ("What would I rather do on the festival of Neptune? Come on, Lydia, hurry and bring forth the stored Caecubian.")

One product of the vine was classified as "frenzy wine." "Without ever having read [Al] Ries and [Jack] Trout, or sitting down with 600

(Continued on Page 93)

# Cigaret ad hearings spark July fireworks

By STEVEN W. COLFORD

WASHINGTON—Spurred by a new House bill to ban all tobacco promotions, Rep. Henry Waxman moved ahead last week with plans for what could be the most severe examination of tobacco marketing since the congressional debate that resulted in cigaret ads being banned from broadcast media in 1971.

Rep. Waxman (D., Cal.), one of Capitol Hill's most outspoken tobacco opponents, set July 21 as the tentative start of tobacco advertising hearings before his health and environment subcommittee.

Potentially at stake is the approximately $2.8 billion spent by tobacco marketers each year on various forms of advertising and promotion.

Earlier this year, Rep. Waxman convinced Congress to force smokeless-tobacco ads from tv and radio and to require health warnings on all product labels and print ads. The setting of a tentative date for his tobacco-marketing hearings followed the introduction of a bill by Rep. Michael Synar (D., Okla.) to ban all tobacco promotions (AA, June 9), and the Defense Department's decision, also last week, to severely restrict tobacco use in the military.

**American Medical Assn. eyes alcohol advertising—Page 90.**

The subcommittee hearings on tobacco marketing could be significantly different from last year's congressional examination of beer and wine advertising, which ended with a rejection of suggestions that Congress impose new restrictions on marketers of those products.

Unlike the initial beer and wine hearings last year, the Waxman hearings take place against a back-

(Continued on Page 90)

## 'Cosby' leads network revenue parade

# Thursday payday at NBC

By VERNE GAY

NEW YORK—What a difference a megahit makes.

Riding on the unrivaled success of "The Cosby Show," the NBC-TV Thursday-night prime time lineup has pulled in an estimated $401.4 million through the first three quarters of the 1985-86 broadcast year. And that's about $118.2 million, or 41.7%, more than the night delivered to the NBC network coffers for the same period the year before.

Those came despite "Hill Street Blues'" lukewarm pricing performance. "Hill Street" so far is running $2.6 million, or 2.4%, behind a year ago.

"Cosby" alone has brought in some $92.9 million in three quarters, up 102.8%, or $47.1 million, from 1984-85.

The program revenues are based on Broadcast Advertiser Reports and A.C. Nielsen Co. data obtained by ADVERTISING AGE. The data track average prices paid for 30-second units in all network shows and have been projected here on the basis of 10 network minutes per hour and a 12-week quarter. While BAR and Nielsen say the monthly reports cannot be used to project precisely what network revenues would be for an entire quarter, the actual figures would not be significantly different.

These dollar figures do not account for several factors that would result in less real revenues for the networks, including make-goods, stunting, bonus spots and pricing variations on multi-daypart deals. However, by applying the same criteria to each program, the projections provide the maximum revenue potential of a show and demonstrate the relative pricing strength of the show.

The data demonstrate just how strong NBC's market position is going into the 1986-87 prime time upfront market. Besides the huge increases for its Thurs-

(Continued on Page 4)

# Big Mac cans S&S in Britain

By JOHN WOLFE

McDonald's Corp. fired Saatchi & Saatchi and named Leo Burnett Co. to handle its $12 million account in the U.K.

A source in London said McDonald's U.K. office was unhappy with Saatchi's creative work and the shift was "not because of international alignment." Other sources said the McDonald's-Saatchi relationship had been rocky from the start.

The basic sticking point, according to one insider, was that "Saatchi just doesn't want to do it [advertising] the McDonald's way and McDonald's doesn't do anything

(Continued on Page 8)

## Last Minute News

### O&M to prescribe HCA's ad strategies

NASHVILLE, TENN.—Hospital Corp. of America, the nation's largest healthcare company, has moved its $8 million account to Ogilvy & Mather, New York, from Eric Ericson & Associates here. The move, which includes a $5 million increase in projected billings, should make HCA more competitive with rival Humana, Louisville, which last month broke the first of 10 spot tv ads, via Grey Advertising, New York.

### Oh's rolls national from Quaker

CHICAGO—Quaker Oats Co. on Sept. 7 will introduce nationally Oh's ready-to-eat cereal, which has been testing in the East since January (AA, Dec. 23). Quaker will spend $14 million on network and spot tv, plus another $13 million on coupons and promotions. Backer & Spielvogel handles. Also, Quaker has agreed to buy Golden Grain Macaroni Co., San Leandro, Cal., marketer of Rice-A-Roni, Ghirardelli chocolates and other products. Quaker said it has not decided the future of Golden Grain's $12 million account, now handled in-house.

### N.Y. adman O'Sullivan joins HHCC in Boston

BOSTON—Eugene O'Sullivan, a top New York ad executive, is joining Hill, Holliday, Connors, Cosmopulos here in the new post of exec vp-director, account services. He was exec vp-director, client services, at Young & Rubicam, New York, before joining Ogilvy & Mather last year as a senior vp-group director. Separately, a spokesman confirms that HHCC had been "in discussions" to acquire a small creative New York shop but said that had fallen through. Malcolm MacDougall, president of HHCC's

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NEWSPAPER

CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HWY #800
WASHINGTON DC
SRI ACQUISITIONS
3.

# HIGHLIGHTS


**Tobacco marketing gets scrutiny** 1
Spurred by a new House bill to ban all tobacco promotions, Rep. Henry Waxman moved ahead last week with plans for what could be the most severe examination of tobacco marketing since cigaret ads were banned from broadcast media.

**B.C. wasn't B.A.** 1
John Rokicki didn't set out to determine whether toga-clad men really invented positioning. But research led him to conclude that during the days of the Roman Empire "advertising people, 20 centuries before the King of Beers was crowned, could write headlines, market imports, do brand extensions and place media."

**Execs still wary of conflict** 3
Comments by leading executives among both advertisers and agencies indicate a strong conviction still exists that conflict-free proprietary relationships remain a basic of today's advertising business. Conflict was the subject of the latest Advertising Age Sounding Board Poll.

**The name game** 6
Its code name was "4108." But the word "Omni" was something the principals in the "big bang" merger of BBDO International, Doyle Dane Bernbach and Needham Harper Worldwide liked early on. So after numerous permutations of that word were explored, Omnicom Group emerged as the official name of the new holding company.

**Murjani loves Tommy** 35
When Murjani International sprung an ad campaign last fall, pushing Tommy Hilfiger as a top new designer, much of Seventh Avenue laughed. Now, it's Murjani's turn. In a sample of 800 people in six markets, Murjani found 82% of the target audience intended to purchase or would consider purchasing Mr. Hilfiger's clothes.

**Kiam's somebody** 36
Victor Kiam, president-ceo, Remington Products, is backing a new line of Remington leisure wear now selling at Sears, Roebuck & Co. stores. Just as Mr. Kiam patriotically touts his electric shavers as made in the U.S., he is touting the clothes as the U.S. textile industry's answer to foreign competition.

**Rating agencies' work** 76
Top agencies concede they do their best work for only 56% of their clients and top advertisers rate the quality of the work they get as a 7.5 on a 10-point scale, according to a survey released by Nancy L. Salz Consulting.

**Beef marketers lighten up** 89
Beef marketers have lost their marble. "Natural and light beef is no longer a niche—it's now a market segment," said one beef producer.

**Wahl turns stubble 'play'** 91
The stubble-face look, a trend made popular by king-of-the-5-o'clock-shadow Don Johnson, is sprouting sales for a new shaver that maintains the unruly growth. The Wahl Stubble Device is being billed by Wahl Clipper Corp. as the nation's first stubble-keeper.


## FEATURES


**'Cosby Show' duo** 38
Three years ago, comedian Bill Cosby called his longtime agent and said he wanted to make another tv show. His terms, however, were not simple. He wanted a firm series commitment from a network without filming a pilot episode. And he wanted to tape the show on the East Coast. At that time, not even Bill Cosby had the clout to make that kind of deal. Enter Marcy Carsey and Tom Werner.

**Sock it to 'em, Cynthia** 56
Cynthia McKinney has ducked headhunters, weathered the Philippines coup, conquered anorexia and created her own company. She brings her poodle to the office and a smile to her work. She's 27. She designs socks.


## INTERNATIONAL


**Mac weighs pan-European tv** 58
McDonald's Corp. is reassessing how big a commitment to make to pan-European tv, just as the regional channels are altering their strategies to stem the flow of red ink. The fast-food marketer is considering all its options—including reducing what it spends on pan-European tv—before entering its third year on Rupert Murdoch's Sky Channel, the pioneering and biggest pan-European station.

**Heinz targets Third World** 59
H.J. Heinz Co. is starting a major push into Third World and other markets where the company is not yet a factor. The strategy is to use a new fruit drink called Frutsi to enter these markets and, once there, find other niches Heinz can exploit. Heinz may also choose a global agency for the product.


## OTHER NEWS

Frankenberry, Laughlin & Constable gave Hal Riney & Partners a run for its money in the 1986 Addy awards competition. Riney led the pack by picking up seven awards, four of them in the tv category. Frankenberry snatched six awards in five categories. Page 22.

Zale Corp. next month will start marketing its 38 carriage-trade jewelry retailers under the banner of its largest and most prestigious unit, Bailey Banks & Biddle Jewelers. Page 35.

Quaker Oats' Life cereal spokeschild "Mikey" will have one last hurrah with a promotion called "Where's Mikey?" scheduled for mid-July. Page 36.

Anheuser-Busch has brewed up a campaign for Dewey Stevens Premium Light wine cooler that makes an all-out appeal to active, young women but places little emphasis on the product's lower-calorie content. Page 60.

Baby-boomers don't quite fit their image, according to a new study by N W Ayer of 80 million Americans now between the ages of 25 and 44. Page 76.

Amway Corp., a direct seller of soaps, personal care items and housewares, is branching out as a service-oriented vendor of higher-ticket items such telephone and travel services, automobiles and real estate. Page 80.

Playboy Enterprises has shifted responsibility for its international publishing unit to a newly formed corporate licensing division. The move acknowledges the growing importance of product licensing to Playboy's financially troubled empire. Page 89.

AT&T last week reached out to customers and striking communications employes with a $1.5 million print campaign that details its contract proposals and efforts to maintain telephone service. Page 91.

Several companies showed up at last week's Licensing '86 show bearing properties based on cartoon characters that just lost berths on the tv networks' fall Saturday morning schedules. Page 94.

## SPECIAL REPORT

*Auto makers are striving for distinctive looks, brands and divisions in an effort to restore consumer loyalty. Special Report examines how corporate names are taking a back seat as marketing efforts focus on nameplate differences.*

## REGULAR FEATURES


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# HBM just start of plan by U.K. shop

By LAUREL WENTZ

LONDON—The $50 million takeover of the HBM/Creamer advertising and pr group is only the beginning of U.K. agency Wight Collins Rutherford Scott's plans for the U.S.

Like Saatchi & Saatchi when it entered the U.S. market several years ago, WCRS is eager to expand both internationally in advertising and into related business services in Britain and later the U.S.

At a press conference in London Wednesday, June 11, to announce a conditional agreement to buy the U.S. agency (AA, June 9), WCRS chief executive Peter Scott said privately held HBM/Creamer will be paid $42.2 million on completion of the deal. The balance will be

*(Continued on Page 90)*

# Bartles' secret out in Portland

By BRIAN LOWRY

Bartles & Jaymes, the down-home duo who front for E. & J. Gallo Winery's wine cooler, have been unmasked.

Dave Rufkahr, a farmer from a small community outside Bend, Ore., does all the talking as Frank Bartles, while Richard Maugg, a Santa Rosa, Cal.-based businessman, nods occasionally as Ed Jaymes.

Mr. Maugg was identified in Advertising Age last year (AA, Aug. 22), but Mr. Rufkahr remained anonymous until last month, when local tv station KGW, Portland, ran a closing segment on his hidden celebrity.

Because everyone associated

*(Continued on Page 90)*

## West Coast news

# O&M exec quits after staff cuts

**Ogilvy & Mather's** Los Angeles general manager, Jim Surmanek, has resigned following a reorganization that included 10 layoffs from its formerly 197-person staff. As part of the restructuring, senior vp-director of account management Jill Himonas takes on the new title of director of marketing. Management supervisor Gary Elliott becomes executive group director. Managing director Jerry McGee said the layoffs reflect across-the-board reductions in cli-

*(Continued on Page 90)*

# Payday for NBC

(Continued from Page 1)

ay schedule, NBC also has shown uge gains for "Highway to leaven" (bringing in 48.6%, or 27.6 million, more than the same eriod a year ago) and "Miami ice" (up 80.7%, or $74.8 million, hrough the first three quarters). Almost all NBC's returning series howed substantial price increases n April, compared with year-ago nd March, 1986, rates.

As a result, almost all of NBC's eturning shows are entering the pfront season with pricing moentum, giving the network a tremendous advantage over ABC and, o a lesser degree, CBS.

In addition, agency network neotiators have projected that NBC vill have at least three new hit hows this fall—"Amen" starring herman (George Jefferson) lelmsley, "L.A. Law" from "Hill treet Blues" creator Steven ochco, and "Matlock," the new ehicle for Andy Griffith *(see hart below)*. The admen also predict that CBS will have three new vinners ("Designing Women," Kate O'Brien, Surgeon" and Taking the Town") while ABC hould have one certified hit ("Our Kind of Town") and two possible uccesses ("Perfect Strangers" and Head of the Class").

According to those agency share projections, ABC will win Monday night with a 27.3 share average, beating CBS by 0.8 shares; a decisive 7.2 share win on Tuesday and a 1.5 share victory over NBC on Wednesday. The rest of the week ABC will come in third, except Sunday when it should finish 0.4 shares ahead of NBC. CBS will win Friday by 1.4 shares over NBC and will continue to dominate Sunday by 8.7 shares. NBC is expected to take Thursday by 10.0 shares and Saturday by 7.0 shares.

A share is the per cent of homes watching tv tuned to a particular show. A rating is the per cent of total tv households, whether turned on or not, watching a show.

Not all of the news is good for NBC. "The A-Team" has been in a serious revenue decline all season, bringing in $22.9 million, or 21.9%, less than the same period a year ago. "Facts of Life" also is running 8.2%, or $3 million, behind 1984-85.

CBS has had five returning shows demonstrate significant revenue gains so far this season. "Murder, She Wrote" is up $22.2 million, or 32.2%, compared with a year ago, while "Newhart," bolstered by a 56.6% increase in April compared with a year ago, has brought in $12.2 million, or 32.6%, more through three quarters. "Dallas" is up $7.2 million, or 6.3%, for the year; "Kate & Allie" is ahead $5.2 million, or 12.1%, despite a weak start, and "Cagney & Lacey" has brought in some $1.4 million, or 2%, more, although it had been ahead almost $6 million before April when its prices dropped 18.3% compared with last year.

Still, the power of "Cosby" and the Thursday-night landslide on NBC has cost CBS plenty. CBS' "Magnum, P.I." is off a hefty $23.3 million, or 25%, from a year ago, and "Simon & Simon" is down $14.9 million, or 13.5%. In the first three quarters of 1984-85, those two shows had estimated revenues of $203.1 million; this year they have delivered only $164.9 million.

CBS' "Falcon Crest" also is running behind 1984-85 by $8.7 million, or 9.4%, even though the show was ahead $1.3 million through the first 12 weeks of the season.

"60 Minutes," the crown jewel of CBS' schedule and the longest running prime time tv series, also has lost some luster recently. Once the highest priced CBS show, "60 Minutes" has seen its price tag erode during the last 18 months. A 30-second spot on "60 Minutes" in April cost an average of $180,000, compared with $183,000 a year ago. For the first three quarters, "60 Minutes" is down $6.4 million, or 3.8%, although the news show still has brought CBS $160.9 million this year.

ABC's two biggest price winners have been "Who's the Boss?" up $5 million, or 14.6%, and "Dynasty," ahead $5.8 million, or 4.3%. However, "Hotel" is off $13.3 million, or 13.4%, and "Webster" is down $7.4 million, or 20.4%. All four shows have been renewed for 1986-87.

The shifting fortunes of the three networks in part is a reflection of softening network economy. Last year net tv ad expenditures declined for the first time since 1971. But they also reflect a new hierarchy. While advertisers do not always "buy shows," they do purchase demographics, and NBC's commanding strength in prime time household ratings, as well as in key demographic categories, explains its substantial unit cost gains during the last year.

Each network is under pressure to maintain its cost base in key returning shows as they approach this year's upfront selling season. ABC is especially hard-pressed to reverse a yearlong slide in network revenues. As the price increases for "Cosby" demonstrate, even if ABC's new shows fare well, the ad prices won't reflect that success for at least another year.

Already Capital Cities/ABC senior management has predicted a loss for the network this year. CBS, which improved network revenues only slightly last year, is attempting to aggressively build its share of the softening marketplace. Only NBC among the Big 3 appears to have established significant momentum as the 1986-87 prime time upfront selling season approaches, the BAR/Nielsen figures reveal.

BAR collects the unit-cost information from the networks and agencies. This information then is sold to Nielsen, which publishes the costs twice each quarter in a booklet, the NTI/NAC Cost Supplement. The revenue projections here were based on Cost Supplements from October, 1984, to April, 1986, the most recent booklet.

## Share projections, 1986-87 season

**A survey of network negotiators at a dozen of the top agencies reveals the following audience share projections for the 1986-87 network prime time season. The figures are averages of all responses, although agency share projections never varied by more than two share points and in most cases were identical. The Big 3 tv networks declined to reveal their own share projections, although the agency sources said that by and large the networks expect each show to perform one to three share points better than the agency numbers. *Eastern Times. Source: *Advertising Age*.**

| | | 7:00* | 7:30 | 8:00 | 8:30 | 9:00 | 9:30 | 10:00 | 10:30 |
|---|---|---|---|---|---|---|---|---|---|
| MONDAY | ABC | | | MacGyver 22 | | NFL Monday Night Football 30 | | | |
| | CBS | | | Kate & Allie 27 | Taking the Town 25 | Newhart 28 | Designing Women 27 | Cagney & Lacey 26 | |
| | NBC | | | Alf 20 | Amazing Stories 21 | NBC Monday Night Movies 286 | | | |
| TUESDAY | ABC | | | Who's the Boss 33 | Growing Pains 30 | Moonlighting 29 | | Our Kind of Town 26 | |
| | CBS | | | Wizard of Elm Street 13 | | CBS Tuesday Night Movies 26 | | | |
| | NBC | | | Matlock 25 | | Crime Story 21 | | 1986 17 | |
| WEDNESDAY | ABC | | | Perfect Strangers 24 | Head of Class 24 | Dynasty 32 | | Hotel 30 | |
| | CBS | | | Together We Stand 17 | Better Days 16 | Magnum P.I. 20 | | The Equalizer 22 | |
| | NBC | | | Highway to Heaven 30 | | Gimme A Break 23 | You Again? 22 | St. Elsewhere 24 | |
| THURSDAY | ABC | | | Our World 10 | | Dynasty II: The Colbys 20 | | 20/20 25 | |
| | CBS | | | Simon & Simon 21 | | Knots Landing 28 | | Kay O'Brien, Surgeon 26 | |
| | NBC | | | Cosby Show 49 | Family Ties 45 | Cheers 33 | Night Court 29 | Hill Street Blues 27 | |
| FRIDAY | ABC | | | Webster 25 | Mr. Belvedere 23 | Last Electric Knight 12 | Sledge Hammer! 13 | Starman 17 | |
| | CBS | | | Scarecrow & Mrs. King 24 | | Dallas 33 | | Falcon Crest 30 | |
| | NBC | | | The A-Team 23 | | Miami Vice 32 | | L.A. Law 28 | |
| SATURDAY | ABC | | | Life With Lucy 21 | Ellen Burstyn 22 | Cold Steel and Neon 16 | | Spenser: For Hire 22 | |
| | CBS | | | Downtown 19 | | Mike Hammer 22 | | Twilight Zone 24 | |
| | NBC | | | Facts of Life 27 | 227 27 | Golden Girls 36 | Amen 30 | Hunter 26 | |
| SUNDAY | ABC | | Disney Sunday Movie 21 | | | ABC Sunday Night Movie 25 | | | |
| | CBS | | 60 Minutes 36 | Murder, She Wrote 35 | | CBS Sunday Night Movie 28 | | | |
| | NBC | | Our House 16 | Easy Street 20 | Valerie 21 | NBC Sunday Night Movies 27 | | | |

Shaded area indicates new program

# NBC to keep limits on stand-alone 15s

By WAYNE WALLEY

KAANAPALI, HAWAII—NBC will mit the use of stand-alone 15-secnd commercials and will not uarantee exclusivity, network resident Pier Mapes revealed ere last week.

Mr. Mapes, here for the NBC affiliates meeting, said the network ill allow two 15s in each 60, 90 or 20-second ad block, but spots for ompeting advertisers could be laced side by side. "We will protect all our 30s and we will do our est to protect 15s, but we cannot guarantee it," he said.

Some observers at the meeting said this might discourage agencies and advertisers from using the shortened commercials on NBC, especially since CBS and ABC have embraced the new ad unit.

Even tv syndicators selling barter time have joined the 15-second bandwagon. Last week, San Francisco-based Golden Gater Productions said it will take 15s at 70% of the cost of a 30-second spot, and would reduce the cost to 60% if the agency or advertiser finds another

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## U.S. NewsWatch

*Marketing news from regional centers across the country*

### Continental, United express competitive flights

HOUSTON—Continental Airlines July 1 launches Continental Express, a network of regional carriers, from Denver with Rocky Mountain Airways and Trans-Colorado Airlines, both of which handle advertising in-house. Scali, McCabe, Sloves, handles Continental. Also: Fresno, Cal.-based WestAir has joined United Express, United Airlines' regional network. Leo Burnett USA, Chicago, handles Elk Grove Village, Ill.-based United; MTC & Associates, Eureka, will continue to handle WestAir.

ARDEN HILLS, MINN.—**Land O'Lakes** has expanded distribution of its 15-flavor ice cream line to Illinois and Wisconsin. Coupons in freestanding inserts support. Funari Fahden Advertising, Minneapolis, handles.

BALTIMORE, MD.—**Century Importers**, marketer of Canadian-imported Cinci Cream Lager, is heralding the return of the turn-of-the-century, impish-looking "handsome waiter" symbol with a humorous radio campaign. Century is repositioning the lager and plans to expand into East Coast and Midwest markets. W.B. Doner & Co. handles.

LOS ANGELES—**Summit Health** reportedly has assigned its $1 million account to Kaiser McEuen, which also has won the Riverside, Cal.-based Arlington Health Services account, estimated at $750,000 to $1 million.

EUGENE, ORE.—**Chef Francisco**, a baked goods marketer, has shifted its $1.5 million account to Lewis, Browand & Associates from J. Walter Thompson USA, both San Francisco.

SALISBURY, MD.—**Perdue Farms** is expanding into New York area with its oven-ready line of Perdue Done It! chicken nuggets, cutlets

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Special Report

A*R&R Communications

# Chasing buyer loyalty with nameplate distinctions

What's in a nameplate? Plenty, according to the U.S. automotive industry, which is using an increasing share of its marketing to separate and advertise its divisions and brand names.

Entering the 1980s, domestic auto marketers were challenged to shore up profitability in the face of imports' growing market share, which has nearly doubled in the past decade—from 14.9% in 1976 to 27.7% in 1985, according to *Automotive News*. Although recognizing the need to broaden their offerings, auto marketers were short of capital to accomplish it.

The result was cookie-cutter cars. With Chrysler Corp.'s Dodge Omnis and Plymouth Horizons rolling off the same production line, sometimes even the assemblers couldn't tell the difference. They would tag a car Plymouth on the rear, Dodge on the front.

Customer dissatisfaction with the lack of divisional distinctions began to surface as a problem not only for Chrysler, but also for Ford Motor Co. and General Motors.

Ford's Lincoln-Mercury division played on the similarity between GM's large cars in a fall 1985 commercial, via Young & Rubicam, Detroit, that showed a valet unable to tell the difference among a Buick, an Oldsmobile and a Cadillac. GM officials were piqued, not because the view wasn't valid but because similar examples exist between Ford's two divisions.

Nameplate distinctions will continue to be the focus of the auto companies' marketing strategies. Corporate names are deemphasized or even considered a liability, particularly in bringing foreign models into the U.S. through joint ventures with overseas auto makers.

Divisions are being restructured and refocused to reach that elusive goal: Buyer loyalty.

It had better happen soon. Gerald Greenwald, chairman of Chrysler Motors, the automotive operations group of Chrysler Corp., says excess production capacity is creating a fierce marketing environment. "Somebody's blood is going to spill on the floor this year," he says.

## Top 10 auto divisions

| Division | % of 1985 U.S. car sales |
|---|---|
| Chevrolet | 14.49% |
| Ford | 12.55 |
| Oldsmobile | 9.65 |
| Buick | 7.66 |
| Pontiac | 7.21 |
| Chrysler-Plymouth | 6.39 |
| Lincoln-Mercury | 6.20 |
| Toyota | 5.61 |
| Nissan | 4.85 |
| Dodge | 3.93 |

Source: *Automotive News*

# Performance image incites Dodge revolution

By Raymond Serafin

Buying a new car is akin to joining a club, says John Damoose, general marketing manager for Chrysler Corp.'s Dodge division.

"The way the market is going, it's clear that brands—the maker's mark, if you will—are becoming more and more important. People are buying not just a product, they're buying a company. They're buying a brand, buying into a club," Mr. Damoose says.

Establishing a distinct brand identity for Dodge means distinguishing itself not only from its acknowledged competition but also from its sister division, Chrysler-Plymouth. In contrast to Plymouth's reliable, basic transportation image and Chrysler's more luxurious, older target market, Mr. Damoose says Dodge is positioning itself as "the kind of club that's youthful, fun to drive, feisty, performance-oriented and affordable. It's more heavily skewed to males than what Plymouth might evolve as, or what Chrysler is."

**Dodge Daytona Turbo Z ads emphasize handling, speed, acceleration and braking.**

In advertising, via BBDO, Southfield, Mich., the new Dodge image entails a heavy use of music and fantasy aimed at the sort of men who form emotional bonds with their cars.

William Kelly, exec vp-general manager for BBDO in Southfield, says research shows Dodge's image already is sharply different from Chrysler's among consumers.

"It's a more gradual process of becoming distinct from Plymouth, but we're moving in the right direction. We're working harder than ever to make those brand images a higher priority," Mr. Kelly says.

Highland Park, Mich.-based Chrysler Corp. couldn't have set up such distinctions five years ago, when its survival was questionable and one division's products looked and drove a lot like the other's.

At that time, Chrysler probably couldn't have afforded to use its marketing to stress nameplate distinctions, anyway. Ads reminded consumers that the company was still in business.

But as it started to make money again, Chrysler, like the other domestic auto marketers, began to produce cars designed to fill specific niches.

The watershed for Dodge was the 1984 model year, when it added the sporty Daytona, the minivan Caravan and the Shelby Charger. To highlight the changes, Dodge introduced the still-running "An American revolution" tag line in a series of avant-garde science fantasy commercials.

In one, a leather-jacketed man wends his way through an eerie cityscape in which an outdoor board of a Dodge Daytona Turbo Z springs to life. Another spot showed a 600 ES Turbo convertible crawling up the side of a building, with "The dream is waiting" the only spoken words.

Although the "American revolution" theme echoes a late 1960s tag line, "Join the Dodge rebellion," Mr. Damoose says the new theme reflects a different standard of performance within the auto industry.

"In the late '60s, you had the muscle cars, with big engines and lots of street speed. Today, performance means something more balanced. It means handling, speed, acceleration and braking," he says.

But in targeting young male drivers, Dodge hasn't ignored the traditional performance criteria.

Dodge victories on the International Motor Sports Assn. sports car and off-road racing circuits have been trumpeted in ads during the past three years.

The current economic and demographic environment enhances a performance positioning, BBDO's Mr. Kelly says. "People are looking for a little pizazz in their life, and it helps that the economy is strong and gas prices are down."

If youthful buyers are what Dodge is driving at, the company seems to be on target. For each of the past four years, the average age of a Dodge buyer has been lowered by one year and now stands at 39. It would be even younger except for relatively older and less affluent demographics on the division's best seller, the Aries K-car. Chrysler buyers are in the low 40s, while Plymouth customers are slightly younger than Dodge's customers.

## Dodge sales

| | 1985 sales | % of total Dodge car sales |
|---|---|---|
| Aries | 116,284 | 26.8% |
| Omni | 71,473 | 16.5 |
| Charger | 57,171 | 13.2 |
| Dodge 600 | 55,330 | 12.7 |
| Lancer | 49,615 | 11.4 |
| Daytona | 49,533 | 11.4 |
| Diplomat | 34,919 | 8.0 |
| **Total Dodge car sales** | **434,325** | |

Source: *Automotive News*

Key to the age drop is the $9,000 Daytona, which "exemplifies the new Dodge image more than any other single car," Mr. Damoose says. Company research says the average Daytona buyer is 29 years old with a $30,000 income. Some 36% to 40% are college graduates, and 59% are male, the majority of them single.

"Relative to that highly competitive sports specialty market, the Daytona is different from the [Chevrolet] Camaros and the Mustangs," Mr. Damoose says. In it is embodied "the difference we're trying to communicate with Dodge: Here's a fuel-efficient, front-wheel-drive, high-tech, state-of-the-art, turbo-charged vehicle that nobody else offers."

If the Daytona exemplifies the new Dodge performance standard, its current tv spot, "Expressway to your heart," is the ad that comes closest to defining the new Dodge image, according to Mr. Damoose.

The commercial opens with a young man entering the abandoned Expressway Diner, a solitary building set in a southwestern desert. As he wipes some dust away from the jukebox, it begins to play the rock song "Expressway to Your Heart."

The music transports him into a Daytona that charges through the desert. The image of an attractive woman appears and disappears like a mirage—on the side of the road, on an outdoor board and in the seat next to him, where she fades as she leans close. In the final scene, the young man runs from the diner to a Daytona parked outside, where the woman—now in the driver's seat—closes the window and speeds away.

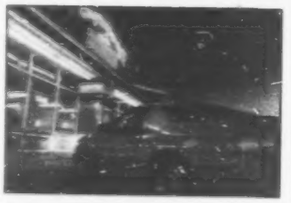
Dodge has been running the 1986 spot on network and cable tv programs skewed to young male viewers and also in movie theaters. Over-all, however, Dodge is using relatively less tv as it tries to reach its new target.

"College students and other young people are way under the national average in receiving effective commercial messages via tv," Mr. Damoose says. "They're much more print-oriented, so we do a lot of print and direct mail."

Dodge began moving more of its media spending into magazines, including the newsweeklies, general interest and sports magazines, and away from tv in 1984. Dodge spent $40.1 million in magazines in 1985, about 30% of its $146.8 million total spending, including dealer association spending, measured by Leading National Advertisers.

Most of Dodge's 47 regional dealer associations have been tying in to the new divisional image through the "Dodge Boys have more fun" theme developed by BBDO, which handles most of the dealer groups.

The differentiation of Dodge products will be enhanced this fall when Chrysler Corp. drops the Chrysler Laser, which is built on the same platform as the Daytona, in a move to give Dodge product exclusivity. The Daytona will receive a major update, while the Chrysler nameplate will feature exclusively the new J-body LeBaron GTC.



**Daytona's "Expressway to your heart" spot epitomizes the new Dodge image, according to a company executive.**

Both of Chrysler Corp.'s marketing divisions will get versions of the new upscale compact P-car, to be known as Dodge Shadow and Plymouth Sundance, as well as stretched versions of the Dodge Caravan/Plymouth Voyager minivans.

Mr. Damoose says Dodge will offer three "distinctly different" versions of the Shadow, including the ES performance package that will be exclusive to Dodge and marketed to the single male enthusiast driver. The four-door version will be marketed as a versatile family car, while the two-door model will be skewed toward female first-time buyers. Anticipated base retail price is about $8,000. A prelaunch ad campaign for Shadow will begin in mid-August, with the car set to debut Sept. 4.

Also new for 1987 will be the Dodge Dakota midsize pickup truck, for which advertising will break in mid-September. With an anticipated price of about $7,000, the truck will be positioned between large pickups favored by traditional truck drivers and the compact pickups competing for entry-level male buyers' attention.

With Dakota, "We think we're creating a brand new segment," Chrysler Corp. chairman Lee Iacocca said at the recent dedication of the $500 million revamped Dodge truck assembly facility in Warren, Mich.

Including the Caravan minivan, Dodge actually sells more trucks than cars—499,896 trucks vs. 488,788 cars during 1985—and Mr. Damoose says that on a per-vehicle basis, trucks get equal ad support.

Two commercials for Dodge pickups reinforce the division's performance image with a slightly different twist. The soft sell of the first one opens with a shot of a small boy asleep on his father's shoulders. A shot of the boy playing with a toy truck fades into a scene in which he has grown into a man driving a Dodge pickup. Country musicians sing, "Behind the wheel of a dream, and I'm a little boy again."

In the second spot, a Dodge pickup falls from the sky to emphasize its ruggedness, but Chevrolet and Ford trucks "fall short" on warranty protection and are left dangling in mid-air.

Mr. Damoose hopes truck sales will help Dodge achieve its over-all goal: To become No. 3 in total divisional car and truck sales by 1990. Dodge is currently fourth, behind Chevrolet, Ford and Oldsmobile.

"We'll be bringing out a new vehicle every six months for four years, and many of them will be exclusive to Dodge. We're going to be setting new standards for performance," he says, adding, "You may see that line" in 1987 advertising. AA

# Buick would really rather have a younger buyer

By Julie Candler

It's easy to picture Sir John Gielgud behind the wheel of a LeSabre. But wouldn't Don Johnson really rather have a Buick, too?

General Motors hopes the answer is yes. Its mandate to Buick, the third largest GM division, is to expand the traditional Buick audience, keeping the affluent demographics but lowering the average buyer's age.

But to hang onto its No. 4 spot in over-all car sales among domestic auto marketing divisions, Buick needs to continue satisfying the loyal owners of its big luxury Electras and LeSabres. The division and its agency, McCann-Erickson, Detroit, are using contemporary ads and new technologies to maintain this split personality.

In its eight nameplates, Flint, Mich.-based Buick has something for everyone who seeks luxury extras and a prestigious name. Its products range from sporty subcompact Skyhawks to big luxury Electras, with base prices ranging from $7,800 for a two-door Skyhawk to $21,577 for a Riviera. Its best-selling Century was the seventh most popular car among U.S. buyers last year, according to *Automotive News* and the Motor Vehicle Manufacturers Assn.

Temporarily, however, there's trouble in Buick City, the radically modernized plant in Flint. Startup problems last fall slowed availability and sales of the new 1986 LeSabre, full-size twin of the Oldsmobile 88. Buick sales also suffered from GM's decision to drop its X cars; the X Skylark accounted for about 10% of Buick's annual vehicle sales. The new N-car Skylark and Somerset, built on the platform of Olds Calais and Pontiac Grand Am, have failed to take up the slack thus far. Rivieras also were in short supply at dealerships.

*Julie Candler is a Detroit-based free-lance writer who has contributed to past Automotive Marketing Special Reports.*

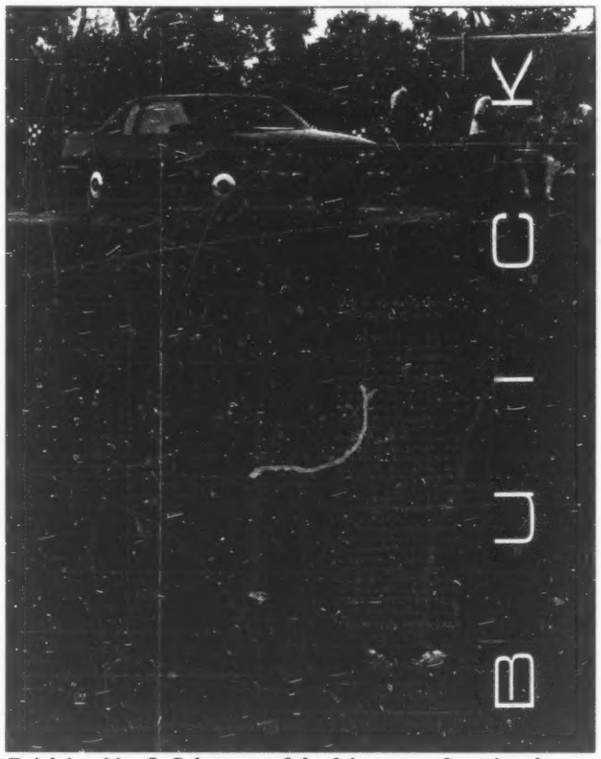
These problems hurt Buick's 1985 yearend statistics. Olds, third place in market share among U.S. auto manufacturing divisions at 9.65%, pulled farther ahead of fourth-place Buick in 1985, with a slight gain in sales to a total of just more than 1 million. Buick's sales of 845,579, down nearly 100,000 from 1984, represented a 7.66% share of 1985 U.S. car sales. Buick accounted for 18.4% of GM's total U.S. vehicle sales. Over-all, GM chalked up $89.1 billion in 1985 U.S. sales, up 28% from 1984, partly on the strength of record sales by the Oldsmobile division.

Buick and all other GM divisions have a mandate to change. It began in 1984, when GM reorganized its divisions into two groups: One handling Chevrolet, Pontiac and Canadian operations, the other working on Buick, Oldsmobile and Cadillac. Each nameplate division's role is marketing and sales-oriented; responsibility for manufacturing rests with the two larger groups.

Like Chrysler Corp. and Ford Motor Co., the reorganized corporation seeks greater product differentiation. Top brass see Buick currently competing in the same demographic marketplace as Oldsmobile. "The bad news," said Donald Hackworth, Buick's general manager in an interview this year with *Automotive News*, a sister publication of Advertising Age, "is our products look alike, feel alike and drive alike."

Variation among divisions will come chiefly from the design studios, Mr. Hackworth says. One of the first new Buick image-builders will be a 1987½ luxury sports two-seater, Reatta. The car, with an anticipated price tag of $25,000, will be powered by a sophisticated new Buick 3600 V-6 engine.

The Reatta exemplifies the sporty, performance-oriented



**Buick is taking LeSabres out of the driveway and putting them on the track to emphasize performance.**

younger niche Mr. Hackworth wants to carve for Buick, and he predicts the new models, along with targeted marketing, will help lower Buick's median buyer age of 50.

So that its new image won't escape attention, much of Buick's marketing is centering on performance sports activities and its technological strength in powertrains, particularly V-6 engines.

The new breed of Buick is roaring around the tracks and capturing championships in International Motor Sport Assn.'s Kelly American Challenge Series and International Hot Rod Assn. events. Four LeSabre coupes are vying in the National Assn. of Stock Car Auto Racing's 1986 Winston Cup series. Three March-Buick cars entered the 1986 Indianapolis 500, finishing 24th, 29th and 30th.

"We encourage dealer organizations to capitalize on the success we are having on the race track," says Tony Roman, Buick director-merchandising. "There is considerably more awareness of what our cars are doing."

He cites the successful visit of a van with engine displays and motor sports hardware at a Grand Rapids, Mich., dealership. With it came Scott Brayton, driver of 1986 Indianapolis 500 car No. 27. Powered by a turbo-charged Buick V-6 modified by the car builder, the car last year at Indianapolis set the single-lap speed record.

On the wall of Mr. Roman's big office is a huge framed poster prepared for dealerships. Headlined "Somerset a record," it pictures three speedy Buick Somersets and describes their 1985 championships.

In addition to the racing programs, Buick tv spots are targeting baby boomers. A typical 1986 Skylark spot shows a young family exercising to stay in shape, rushing to work, putting the baby in the car and stopping at a playground.

Mr. Roman says the hawk soaring into most Buick ads also has a youthful, yet universal, message that Buick is "dedicated to the free spirit in just about everyone."

Buick division spent $45 million in measured media spending in 1985, according to Leading National Advertisers. About two-thirds of that was spent on network and spot tv.

But even as Buick targets the baby boomers as a younger demographic, Mr. Roman points out that the group fast is approaching 40, and "Buick has products to appeal to them as they get older," he says.

Marketing strategies for 1987 will be shared with dealers in August. Mr. Roman says the company will call for active retailer participation in the regional marketing operations begun in October, when Buick consolidated all media buying at McCann-Erickson's Detroit office.

The agency predicted then that regional marketing would increase in importance to accommodate geographic market opportunities and special market and distribution needs.

"We will probably be more and more involved in [regional marketing]," Mr. Roman says. He points to the differences between dealer organizations and

## *Help is just a telephone call away*

Buick was the first auto marketer to develop telemarketing that puts potential customers and current owners in touch with someone with answers to questions and complaints.

The company's toll-free telephone number, introduced two years ago, was the result of studies that showed cars competing with home entertainment centers and other big-ticket items for consumer dollars. Research also revealed that many consumers dislike visiting showrooms, yet are twice as likely to buy after taking a test drive.

The research showed that while a satisfied customer shares the experience with eight of his friends, a dissatisfied customer broadcasts his problems to 16 people. "We want to take those people who may be dissatisfied with a dealer or product and make it an opportunity to solve problems and make them happy," says Tony Roman, Buick director-merchandising. "From the time we receive a complaint to the time cases are closed is less than 10 days."

Now all print ads end with the message, "For more information, a test drive or a brochure, call: 1-800-86-BUICK." While competitors' 800 numbers are regional or reach an answering service, Buick boasts that its calls reach not only Flint, Mich., headquarters, but also operators who have computer access to thousands of answers about Buick and its competitors.

Last summer, Buick introduced another high-tech marketing approach, its Electronic Product Information Centers. An International Business Machines PC uses EPIC's software to provide consumers with product information. They can punch up competitors' prices, product specifications and other facts—even "build" the car of their choice—and take home a printout. EPIC also gives them the bottom line on monthly payments.

More than 400 dealerships now employ EPIC as a sales tool and 200 more are expected to add the system in the next year. An EPIC is being tried at Detroit's Metropolitan Airport and at the Churchill Downs Museum outside Louisville, Ky.

EPIC was set up early this year in transportable kiosks in Dallas' Irving Mall and Miami's International Mall. Customers are left alone inside the kiosk to test sound systems and use a touch-sensitive screen that features audio-visual product presentations. A telephone links them to customer assistance in Flint.

"We know it works," Mr. Roman says. "We got reports from dealerships of people bringing in EPIC printouts. I think sooner or later every manufacturer will be doing this."

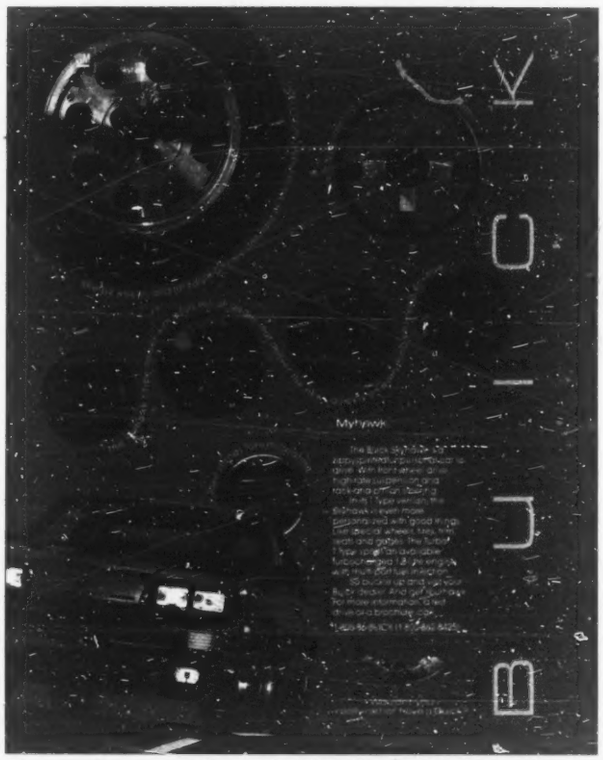
—*Julie Candler*

BUICK

### Buick sales

| | 1985 sales | % of total Buick sales |
|---|---|---|
| Century | 234,508 | 27.7% |
| LeSabre | 115,212 | 13.6 |
| Regal | 112,590 | 13.3 |
| Electra | 99,185 | 11.7 |
| Somerset Regal | 95,098 | 11.3 |
| Skyhawk | 85,639 | 10.1 |
| Skylark | 54,513 | 6.5 |
| Riviera | 48,834 | 5.8 |
| **Total Buick sales** | **845,579** | |
| **% of GM sales** | **18.4** | |

Source: *Automotive News*




**Younger buyers are the goal of Buick's contemporary advertising, such as this for "Myhawk" Skyhawk.**

products sold in California and New York. "We have assistant general sales managers who reside in those areas and work actively with dealer organizations for the most targeted marketing possible."

The Somerset and Skylark Sports Editions produced recently for sale only in California have been received warmly. The cars, featuring Shelby aluminum wheels, special tires and handling packages, sport steering wheels and color-coordinated exterior trim, are designed specifically to attract the nontraditional Buick buyer.

"They are bringing to the showrooms a buyer that Buick dealers haven't seen before," Mr. Roman says. The buyers are primarily those who originally intended to buy an imported car, he says.

A special sesquicentennial 1986 LeSabre coupe produced for Texas' 150th anniversary of statehood sports special paint trims and options, with the state's outline branded inside and out. It also was received well, according to Mr. Roman.

Another regional activity is executed through Buick's dealer marketing and advertising groups, which often piggyback locally on Buick's national tv buys such as ABC-TV's "Monday Night Football," network news and the Academy Awards show.

Other specific groups also are being targeted. Last year, Buick and McCann-Erickson's Los Angeles-based subsidiary, La Agencia, conducted the division's first national campaign to reach Hispanics and directed a regional campaign in Florida to them.

But the regional and Hispanic marketing programs are only part of Buick's larger emphasis on a younger buyer. That new approach to youth is summed up by a print ad for the new LeSabre Grand National, with copy emphasizing its performance capabilities. It's headed: "We're looking for a few good drivers."

# GM searches for the fountain of youth

What General Motors wants is five good, distinct images for its car divisions, which deal with model lines that sometimes overlap and compete. GM also is searching for a winning concept for its new Saturn. All of the new images must be youthful and performance-oriented to help the nation's largest auto maker recapture the two percentage points of market share lost in 1985, when it dropped to 42%.

The goal of product differentiation was summed up recently by Lloyd Reuss, exec vp of GM's North American Passenger Car Groups. By the 1989 model year, Mr. Reuss promises, "We will have more distinct divisional market segmentation and less overlap."

One way to diversify, he says, is to assign the divisions different body styles of the same car lines. As an example, he points to the J-body cars (Chevrolet Cavalier, Pontiac 2000, Buick Skyhawk, Oldsmobile Firenza and Cadillac Cimarron). Instead of all divisions handling all seven models of the J cars, he suggests, one might handle a sedan, while another might have the exclusive on the wagon.

During the next decade, that type of segmentation will be incorporated into development of GM models that will be sold by several divisions.

"The person who buys a compact station wagon and the buyer of a sport coupe are completely different demographically," says Tony Roman, Buick's director-merchandising. "If we can do well with a sporty model or a wagon, that's where we should be concentrating our efforts, instead of the broad spectrum of models within a segment."

One reason for the segmentation is to reduce the number of GM models. The reductions will help dealers market cars and lessen production costs.

GM also wants to encourage each division to go after outside competition, rather than its sister divisions.

In diagraming the niches each GM division's marketing strategy and new car additions seem to be working toward, Cadillac stretches between conservative and expressive. Buick and Pontiac are perceived as GM's expressive divisions, with Chevrolet and Oldsmobile on the conservative side. Saturn rests, at least temporarily, in a neutral center spot.

Marketing at each division reflects the new images they are seeking.

Chevrolet is taking over GM's challenge to the Japanese small-car competition with three low-price cars: Sprint, Spectrum and Nova. Chevy ads emphasize the large-volume sellers, Cavalier, Celebrity, Caprice and Impala. Reorganized field sales and marketing divide their operations into four geographic areas to meet "unique needs of each part of the country."

***GM's top executives hope that 80% of Saturn sales will represent new business to the corporation.***

The division was the first at GM to experiment with satellite dealerships at malls in Moline, Ill., and Appleton, Wis. In another move to reach more customers, Chevy is trying computer-based electronic display centers at malls.

Chevrolet emphasizes motor sports and promoted heavily the Corvette pace car at the 1986 Indianapolis 500.

With its first product due in the late 1980s, the Saturn division intends to market a low-price, but not bargain-basement, subcompact positioned between Chevrolet and Pontiac.

"We will start looking for an agency probably in the fall," a Saturn spokesperson says. "We will be definitely going for a young market and competing with the imports."

Saturn will be GM's testing grounds for new marketing techniques. GM's top executives hope that 80% of Saturn sales will represent new business to the corporation.

Pontiac is GM's representative to the lower price sports car market, with the best example of its niche the innovative two-seater Fiero. The division's 1986 strategy included a three-month, $4 million youth marketing campaign. A 1986 California ad blitz was part of a plan begun three years ago with opening of a West Coast marketing office to raise the Pontiac profile there.

Pontiac promotes motor sports heavily and publishes a "Winners Circle" monthly newsletter touting its wins.

Oldsmobile's market niche is upscale, conservative buyers. But a clue to Olds' desire also to look younger is its recent decision to replace celebrity spokesman Dick Van Patten with younger pro golfer Fuzzy Zoeller, who will be featured with his family in 1987 ads. Since 1981, Mr. Van Patten has appeared in ads with his wife and three sons, all in their 30s.

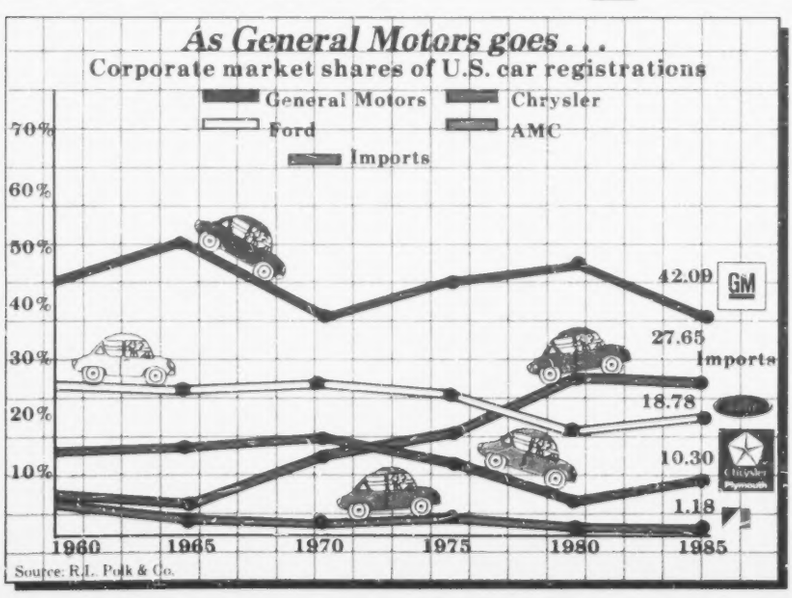
To further enhance its image with younger buyers, Olds plans to market a luxury sport coupe by the 1990 model year. Olds also continues to promote its participation in motor sports.

At the top of the GM price scale, Cadillac is fighting to keep its upscale reputation and be the luxury car leader in the face of strong competition from European imports.

A new ultra-luxury coupe/convertible, Allante, built in partnership with Italy's Pininfarina, will make its debut as a 1987 model. Hopes are that it will enhance Cadillac's image with younger buyers.

To separate Cadillac models from those offered by other GM divisions, an all-new, exclusive DeVille and Fleetwood will arrive for 1989. Present models of both cars will be stretched 2.5 ins. in wheelbase for 1987. Cadillac also is reassuring fans of the big rear-wheel-drive car that its Brougham and Brougham d'Elegance will be around as long as gas is plentiful.

*—Julie Candler*




## How Cavalier

### Top domestic car models by U.S. sales

| | | 1985 sales | 1984 sales | 1984 rank |
|---|---|---|---|---|
| 1. | Cavalier (General Motors-Chevrolet) | 431,031 | 377,446 | (1) |
| 2. | Fscort (Ford) | 420,690 | 353,578 | (2) |
| 3. | Celebrity (General Motors-Chevrolet) | 363,619 | 322,198 | (3) |
| 4. | Cutlass Ciera (General Motors-Oldsmobile) | 333,585 | 242,209 | (8) |
| 5. | Caprice/Impala (General Motors-Cheverolet) | 245,826 | 258,902 | (5) |
| 6. | Tempo (Ford) | 281,144 | 256,532 | (7) |
| 7. | Century (General Motors-Buick) | 234,508 | 217,042 | (9) |
| 8. | Cutlass Supreme (General Motors-Oldsmobile) | 217,504 | 302,087 | (4) |
| 9. | Camaro (General Motors-Chevrolet) | 199,985 | 202,172 | (10) |
| 10. | Olds 88 (General Motors-Oldsmobile) | 188,129 | 258,297 | (6) |

Source: *Automotive News*

# Lincoln-Mercury steers toward brand strategy

By Richard Johnson

When the spotlight fell on the baby boomers in the early 1980s, Ford Motor Co.'s Lincoln-Mercury division found a ready-made demographic bull's-eye. And although almost every marketing unit in the country has courted the young careerists, at Lincoln-Mercury it truly seemed like a match made in heaven.

*Richard Johnson covers Ford Motor Co. as a reporter for* Automotive News, *a Crain Communications Inc. publication.*

The division traditionally has been perceived as a buttered-up version of meat and potatoes Ford Motor Co., Detroit, awaiting buyers with a little discretionary income. The objective now is to turn that image into a shiny symbol of upscale automotive value within Ford.

But to build an identity with the baby boomers it covets, L-M must map out a future as something more than a reflection of Ford. This full-scale advertising and marketing mission's grand strategy is brand strategy: Make Mercury mightier, build on Merkur, let Lincoln be Lincoln.

"We're looking at the division not as a whole, but rather looking at our brands," says Edsel Ford, L-M general marketing manager and great grandson of company founder Henry Ford.

The efficiencies of brand management make sense for L-M, which has a smaller ad budget than Ford. Ford executives estimate that Lincoln-Mercury will spend about $135 million on advertising in 1986, up about 10% from last year. Leading National Advertisers reports L-M spent $61.1 million in measured media in 1985. Ford division ad spending, on the other hand, is pegged at about $350 million for 1986, 12% more than 1985.

"From an image standpoint we're continuing to build three separate brand identities," says Chuck Riley, senior vp-group director for the L-M account for Young & Rubicam, Detroit. "The products are very different, the targets are very different and the advertising is very different."

For example, no longer is it "Lynx from Lincoln-Mercury"—it is "Mercury Lynx." Likewise, it's the "Lincoln Town Car."

"The rationale before," Mr. Riley says, "was to elevate Mercury, give it prestige status. It made sense as 'Lynx, the kind of comfort you expect from Lincoln-Mercury.' But it probably didn't do anything for the brand name Mercury. That was a big problem."

The division wants to pass the brand message on to dealers and have them apply the same principles to local advertising.

"People who want a Lincoln don't buy a Lincoln-Mercury. If we had our way, a dealer selling Town Cars would advertise itself as Hempstead Lincoln, not Hempstead Lincoln-Mercury, and when advertising Sable it would be Hempstead Mercury," Mr. Riley says.

Industry analyst Arvid Jouppi, senior vp for Keane Securities Co., Detroit, says while L-M has benefited from Ford Motor Co.'s over-all styling leadership, its products do not yet stand out from Ford's.

"They don't have enough product differentiation," he says. "It becomes a classic case of who can attract the most dealers because the products are pretty much the same. The numbers and effectiveness of the dealer body has been very important."

"I think people in the marketplace probably see Mercury as a jazzed-up Ford," Mr. Ford says. "We are trying to dispel that image and create a new image, and we'll start doing that with some of our future products, creating a unique market niche for ourselves."

By early 1987, six of 11 Lincoln-Mercury entries will be exclusive: The three Lincoln models, two Merkur products and a new subcompact based on the Mazda 323 that will be built in a new assembly plant under construction in Hermosillo, Mexico.

L-M hopes the new exclusives will help its market share, which stood at 6.2% in 1985, down from 6.5% the previous year, when stricter Japanese import restraints were observed. For the first four months of 1986, L-M's slice of domestic business

*(Continued on Page S-8)*

ESPN® THE BEST PLACE TO REACH MEN WHO LIKE LIFE IN THE FAST LANE.
ESPN's track record in racing coverage is unbeatable. No other network delivers as much high speed action. Or the audience that goes along with it: upscale males with a taste for the good life.
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Without ESPN, your television budget is underdelivering these upscale men. Just 10% of your national TV budget allocated to ESPN will dramatically increase its effectiveness. You'll be reaching the men who buy more. And you'll do it at a much lower cost-per-thousand.
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# Lincoln-Mercury steers

(Continued from Page S-6)
was 5.8%.

Total Mercury sales in 1985 totaled 519,059, down from 527,198 in 1984. Lincoln sales, with Town Car sales alone surging 29% to 117,606, increased to 165,138 from 151,474 despite declines for the low volume Continental and Mark VII models.

Division officials expect total L-M sales in the 700,000 range this year, with share holding at about 6%. The compact Topaz, one year older and facing tougher Japanese competition, is off 38% for the year, while Grand Marquis, with a platform dating to 1979, is off 21% from 1985 during the first four months of 1986. But improved supply of the Sable, which debuted Dec. 26, should help stabilize market share.

The key product at L-M is Sable, which division general manager Thomas Wagner has called the most important car L-M ever has introduced. The whole thrust of L-M marketing and advertising in the past three years has anticipated the new flagship model.

"The basic idea has been to establish a platform upon which to launch Sable," Mr. Riley says.

So far, Ford is selling out both the Atlanta and Chicago Sable assembly plants. Through the first four months of 1986, Sable sales stood at 26,921; the division has projected an annual rate of about 150,000 cars.

The Hermosillo car, which arrives early next year, is figured to be a Lynx replacement, although Mr. Ford says the two models will be sold side by side for "a short period."

How to market the Mexican car is still under study. L-M could present it as a sturdy world-beater, *a la* Escort, or as a sporty subcompact alternative to basic small-car transportation. Marketing executives also must decide whether to advertise the connection with Mazda, which is 25% owned by Ford and taking an increasingly large role in small-car product plans.

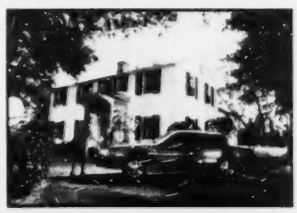
The departure of slow-selling Capri from the L-M line this fall leaves the division without a representative in the small, specialty segment.

Capri's woes exemplify the problems of a fuzzy market presence. With little to distinguish it from Mustang and short advertising shrift, Capri sales, at 15,389 in 1985, have been a mere fraction of Mustang's (157,821 sold in 1985). On the other hand, the Mercury Cougar, with its distinctive lines and youthful market orientation, has done well in relation to its cousin, Ford Thunderbird.

In its search for the ideal customers for these cars, L-M's objectives are clear cut.

"The 25-to-45-year-old age group with an income of $30,000 —that's our target," Mr. Ford says. The division does not define its market simply in terms of income and age. Mr. Riley says the baby boomers have a healthy self-image that Mercury wants for its own.

"They see themselves as keeping up with the times," he says. "They desire to be seen as very, very contemporary."



**Lincoln-Mercury's tv ads featuring songs of the 1960s have been a hit with baby boomers.**

Specifically, L-M wants climbers: Younger overachievers earning handsome salaries today and well positioned to do even better in the future.

For instance, when L-M set a comprehensive new women's marketing plan into motion a few weeks ago it announced yearlong contractual buys in three career magazines, *Ms.*, *Savvy* and *Working Woman*, while bypassing the Seven Sisters.

So far the strategy seems successful. Buyers of the new Sable are younger than the average 60-year-old buyer of the Marquis it replaced.

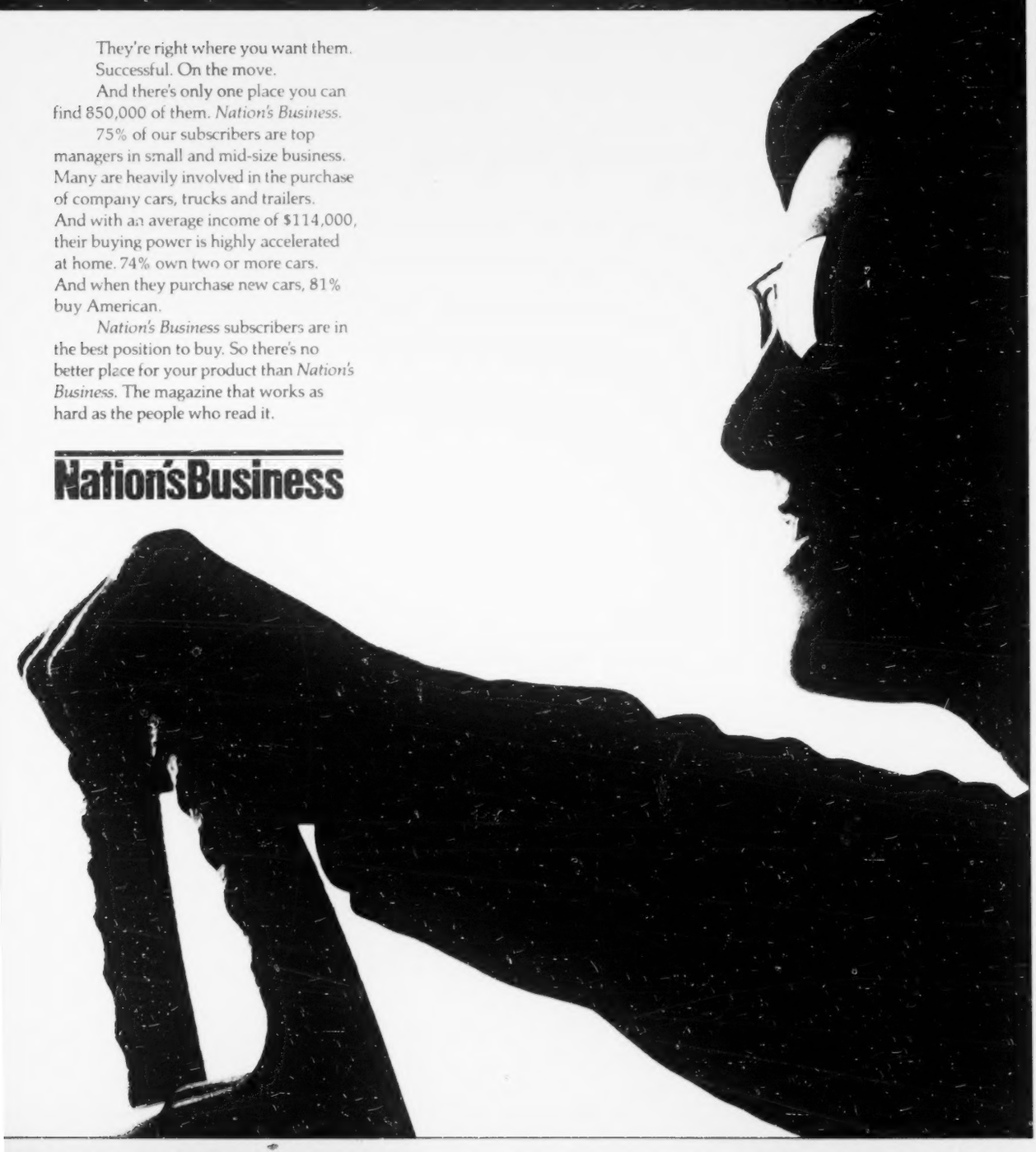
The original target for the Sable was a 48-year-old customer; preliminary research shows buyers in their mid-50s with incomes ranging between $40,000 and $50,000, according to Mr. Ford. The average Cougar customer today is 35, compared with 44 in 1983.

To reach the baby boomer target, Mercury's current tv campaign is keyed to songs of the 1960s. Although it seems to have been part of an avalanche of oldie-but-goodie musical themes on tv, Y&R has done it differently than most, leaving lyrics intact, replicating the original record down to the last moan and shout and marrying music to slice-of-life vignettes, not product spec sheets.

The first wave, which began in September, 1984, featured eight songs of the '60s. Last fall's second set of spots offered original talent—The Four Tops' rerecording of "Reach Out," The Temptations' "Get Ready," sung by one of the group's original members, Eddie Kendricks and a Martha Reeves revival of "Heat Wave"—as well as soundalike versions of the Beatles'

(Continued on Page S-12)


In the driver's seat.



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# Lincoln-Mercury steers

(Continued from Page S-8)

"Good Day Sunshine," the Beach Boys' "Surfin Safari" and Bette Midler's "Do You Wanna Dance?"

One story line was carried over into this year's spots. A 1985 Cougar spot, set to a thumping rendition of "Proud Mary," depicts a young woman who quits a newspaper job and rides off in her Cougar to write the great American screenplay.

L-M followed up this year with the same woman—screenplay finished—walking out on sleazy producers for someone more promising.

The idea has been to use the cars as backdrop to the owners' lives, rather than the other way around. But with tv now overrun with rock nostalgia, L-M is considering a different approach.

"Everyone comes up and tells us they really like what we're doing and it seems to be doing a relatively good job for us," Mr. Ford says. "But on the other hand everybody is doing it now. So I've said to the agency that we've got to evaluate our effectiveness and see if it is time to do something else."

Mercury's additional "The shape you want to be in" theme also attaches to the baby boomer fitness binge and accents Ford's aerodynamic styling.

Meanwhile, Lincoln's "What a luxury car should be" has played off Cadillac's problems carving out an identity for down-sized, front-wheel-drive models.

A Town Car tv spot called "Valet" features country clubbers mistaking Caddies for Buicks and Olds. The pointed humor reportedly has peeved Cadillac executives, but Mr. Ford sounds less than contrite.

"Reaction has been interesting," he says. "We didn't mean it as an insult to Cadillac, although based on what I've read they have chosen to take it that way. It was our attempt at having some fun."

LINCOLN **MERCURY**

## Lincoln-Mercury sales

| | 1985 sales | % of total L-M sales |
|---|---|---|
| Grand Marquis | 135,202 | 19.8% |
| Cougar | 119,225 | 17.4 |
| Lincoln | 117,606 | 17.2 |
| Marquis | 87,844 | 12.8 |
| Lynx | 85,871 | 12.6 |
| Topaz | 73,098 | 10.7 |
| Continental | 27,679 | 4.0 |
| Mark VII | 19,853 | 2.9 |
| Capri | 15,389 | 2.2 |
| Sable | 2,430* | 0.4 |
| **Total L-M sales** | **684,197** | |
| **% of Ford sales** | **33.0** | |

*Includes only a part of 1985

Source: *Automotive News*

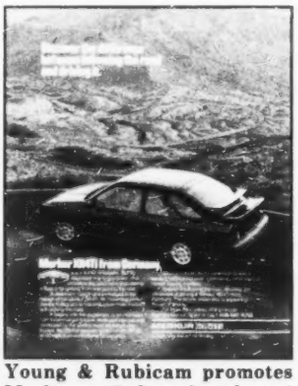
# *Shaky start sends Merkur for repairs*

One of Lincoln-Mercury's worries in courting the baby boom generation was the appeal of trendy European sport sedans. To counter that competition, most L-M dealers have been awarded franchises for the division's new Merkur product line.

It is a strong marketing base for the technically sophisticated high-performance cars, built by Ford of Germany to do battle in the industry segment controlled by BMW, Volvo, Saab and Audi. But the March, 1985, launch of the XR4Ti hatchback was anything but smooth.

Advertising was in motion before dealers were adequately stocked, and once inventory was on hand, L-M discovered it had asked for the wrong mix of options. The division underestimated U.S. demand for automatic transmissions, leather interiors and exterior colors other than silver and gray.

L-M originally targeted sales of 20,000 units, but only about half that sold in the first 12 months. The division is now eyeing annual sales of between 15,000 and 18,000 cars.



**Young & Rubicam promotes Merkur as "advancing the art of driving."**

A second Merkur model, the $20,000 to $25,000 Scorpio luxury sedan, will join the lineup late this year and a third car—probably a new Sierra notchback to be introduced in Europe early next year—is expected to arrive in late 1987 or early 1988.

With "Advancing the art of driving," Young & Rubicam has placed Merkur advertising squarely in the Eurosedan sophisticated enthusiast mode. L-M general marketing manager Edsel Ford says the theme line will continue with Scorpio.

L-M's strategy of emphasizing brands is key to Merkur. There is a lingering identity problem with the new German line and some confusion about whether Merkur is a make or a model.

As a result, L-M has tried to raise awareness for the perhaps overly alphanumeric XR4Ti name and has sought to increase exposure for the car by pressing it into daily rental service, a ploy that helped ignite Lincoln Town Car sales three years ago.

By the end of this month, some 3,000 Merkurs should be available at about 300 Budget Rent-A-Car airport locations around the country. L-M will have to wait and see if the added exposure remedies Merkur's bad start.

—*Richard Johnson*

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# Korean company roars into mini market

By Michael Kaplan

Just three years ago, Hyundai Motor Co. was a tiny division of a giant, but obscure, Asian construction conglomerate, producing fewer than 100,000 cars a year and exporting just 18,500—and none to North America.

Times have changed. Today, Hyundai (which rhymes with Sunday) manufactures the best-selling imported car in Canada, and its splashy entrance into the U.S. market this February—with the $4,995 front-wheel-drive Excel subcompact—has sent shock waves reverberating throughout executive suites in Japan and Detroit.

Priced $500 to $1,000 lower than most other cars in its class—defined as minicars, or those smaller and cheaper than subcompacts—the Excel is more than just another low-price import diverting customer attention away from the Big Three auto marketers. It represents the opening salvo in what promises to be a no-holds-barred multinational battle for the low end of the American auto market.

It's not that the Excel is a revolutionary car. It's not. But it's place of origin is: South Korea, a country better known for manufacturing sneakers than sedans.

Thanks to a skilled work force, low labor costs and a favorable currency exchange rate, South Korea successfully has entered markets, including steel, shipbuilding and electronics, once dominated by the Japanese, underpricing them as Japan underpriced Western companies a decade before. Now the battle is over auto exports.

By the end of this year, Hyundai Motor America, Garden Grove, Cal., expects to sell 100,000 cars, the most ever by a foreign company in its first year of U.S. operation. Although total Japanese imports, by contrast, will top 2.5 million units in 1986, the Hyundai threat is real.

The company's U.S. debut is backed by a $25 million national ad campaign from Backer & Spielvogel, Huntington Beach, Cal. A network of 200 new dealerships has gambled an average of $2 million to $3 million each that the Japanese can be beaten at their own game. Many industry analysts think the bet is a safe one.

That's because Hyundai is concentrating on minicars where price—Korea's strength—is more important to the consumer than technical sophistication,

**Hyundai Motor America fired the first round in the multinational minicar battle with its $4,995 Excel.**

which remains a strong Japanese advantage. The U.S. market for minicars is expected to grow dramatically over the next several years, reaching 1.5 million cars by the end of the decade, according to a recent Merrill Lynch Pierce Fenner & Smith research report.

Long conceded by Detroit, this market was largely abandoned by the Japanese, too, when imports were restricted in 1981.

"The import quotas had the effect of leveraging the Japanese out of the economy-car market, forcing them to concentrate on higher-profit items," says Robert McElwaine, president of the American International Automobile Dealers Assn., a Washington-based organization of foreign car dealers.

"We estimate there were 2 million Americans who wanted or needed to buy a new car last year, but simply couldn't do it at today's prices."

According to Mr. McElwaine, customers have been forced to settle for used cars or simply have held onto their current vehicles. The current average age of cars on the road, more than seven years, is the oldest since the end of World War II, he says.

"When the Japanese got leveraged out by quotas, it left the entry-level field wide open," Mr. McElwaine says. "Since the market hates a vacuum just as much as nature does, things will always rush in to fill it."

Last summer, the $3,990 Yugo, a minicar imported from Yugoslavia, was introduced on the East Coast. Minicars from Romania, Italy, Czechoslovakia and the U.S.S.R. are available in Canada and poised to enter the American market. And the Big Three U.S. auto marketers are looking to bring in their own imports, too *(see separate stories)*.

But Hyundai is clearly the

*(Continued on Page S-18)*

*Michael Kaplan is a Los Angeles-based free-lance writer.*

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# Koreans roar into minicar market

(Continued from Page S-16)
front-runner, thanks largely to its dramatic success in Canada.

Hyundai had hoped to sell about 5,000 cars a year when it entered the Canadian market in 1984. But helped by favorable trade incentives offered by the Canadian government to developing nations—including unrestricted, duty-free imports—and quotas on imports of Japanese cars, Hyundai was able to undercut the competition and sell 25,000 Ponys in 1984, using newspaper ads with the simple slogan: "Take a Pony for a ride." By the end of 1985, Hyundai had become Canada's No. 1 importer and the Pony was Canada's best-selling car.

But the Pony, a rear-wheel-drive vehicle designed in the mid-1970s (and given a face lift before its Canadian launch), was heavy and sluggish, and an early model reportedly failed U.S. safety and emissions tests.

Hyundai struck a deal with Japan's Mitsubishi Motors, exchanging a 10% interest in the company (later increased to 15%) for technical assistance in developing a new front-wheel-drive car, the Excel. The model is produced at a massive new plant near Pusan, South Korea, with the capacity to build 300,000 cars a year.

With its high-tech, aerodynamic styling and a Mitsubishi-designed 1.5-liter overhead-cam engine, the four-door Excel looks and handles like most other Japanese and European subcompacts. While obviously not a luxury model, neither is the Excel completely stripped down.

The $4,995 base model, a five-door hatchback, is equipped with four-speed manual transmission and includes as standard equipment steel-belted radial tires; halogen headlights; rack-and-pinion steering; full carpeting; a rear window defroster; reclining front bucket seats; a split, fold-down rear bench seat; front and rear mud guards, and rear seat heating vents.

Suggested retail price for the most expensive Excel model, a GLS four-door sedan with automatic transmission, is $6,915; a comparable Toyota Corolla retails for more than $8,000.

Despite the obvious industry interest in the Excel as the first South Korean car available in the U.S., both tv and print ads for the car pointedly ignore its country of origin.

"It wasn't that we felt we had an image problem being from Korea, but that there was no image at all," says Joe Corey, Hyundai's national ad manager, and one of many top Hyundai executives hired away from Toyota's North American operations.

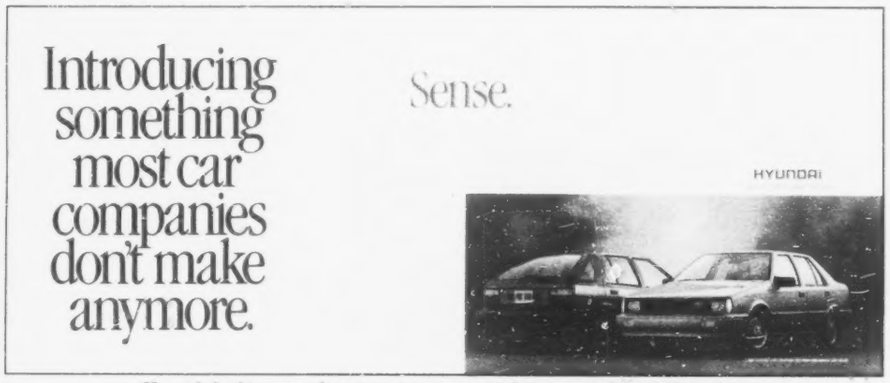
"Who'd ever heard of Hyundai? Who'd ever heard of anything automotive from Korea? So you will not see the word Korea in any of our advertising. We're trying to sell the fact we produce a durable, reliable, basic transportation type of car."

More important to Hyundai's marketing strategy is stressing the size, strength and diversity of its parent company, whose 1985 sales of $14 billion, representing 10% of South Korea's gross national product, earned it a ranking in *Fortune's* top 40 corporations outside the U.S. Print ads introducing the Excel were headlined, "Its father was a locomotive. Its mother was a ship," and a series of tv spots reinforce that message.

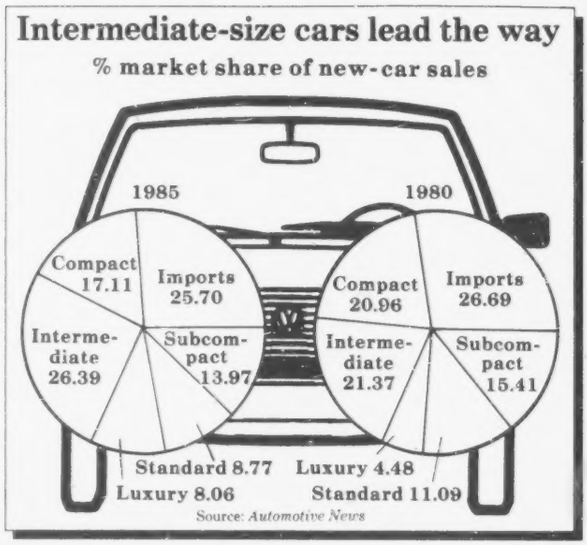
"We felt we had to position Hyundai as a large, multinational corporation that does a lot of other things very successfully in 65 countries around the world, and not just some Third World company," Mr. Corey says. "The whole tone was 'Here's a company that builds locomotives and bridges and nuclear reactors and now that company's coming to the U.S.'"

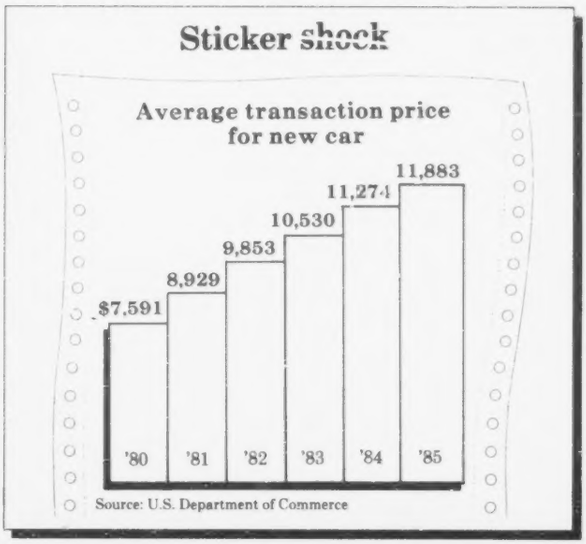
As the Hyundai is rolled out in each new market, a trio of tv spots introducing the car and the company are run for three weeks. The company and local dealers then shift to conventional product ads on tv and in newspapers. Because the car

(Continued on Page S-22)




Hyundai ads stress the parent company's size, strength and diversity.




11,848,000 7.97 1,2

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# Yugo confident despite sluggish sales

By Michael Kaplan

Of all the minicars available in the U.S., none is quite as mini as the Yugo, a $3,990 Yugoslavian car that has positioned itself as the successor to another inexpensive European import, the Volkswagen Beetle.

**Yugo bills itself as reliable transportation similar to the Beetle and Model T.**

The front-wheel-drive three-door hatchback, imported by Yugo America, Upper Saddle River, N.J., has become something of a cult item since its arrival in U.S. dealerships last August, despite some indications of problems with the car's reliability and safety.

Although only 10,000 Yugos were imported during the car's first eight months in the U.S. market, the Zastava, Yugoslavia, plant, where cars bound for America are assembled on separate lines using top workers, has increased production capacity. Yugo sold only 3,895 cars in the U.S. last year and 1986 sales have stabilized at about 2,000 cars a month, according to *Automotive News*, but company officials still predict they'll sell 60,000 cars in 1986, with annual sales increasing to 150,000 by the end of the decade.

Yugo's $12 million ad campaign from Rosenfeld, Sirowitz & Humphrey, New York, makes no effort to hide the car's Eastern European heritage.

"When we did our original research, what people were concerned about was: 'Is the car going to give me what I want? Is it a quality car? Is it going to hold up?' more so than where the car came from," says Ron Edelson, Yugo's vp-marketing services.

"We thought there might be certain reservations about purchasing a brand new car like this, but the Yugo was accepted very quickly. Obviously the price was a very big attraction," Mr. Edelson says.

At $3,990, not including tax, title, dealer prep and transportation costs, the Yugo costs less than the average U.S. used car, which sold for $5,150 in 1985, according to the National Automotive Dealers Assn.

A number of extras are thrown in, including twin dome lights, three grab handles, a vanity mirror and a cigaret lighter.

However, Yugo executives understand that people shopping for a $4,000 car are more concerned with monthly payments than vanity mirrors. A typical print ad, headlined "Introducing the same old idea," shows the car alongside a Model T Ford and a VW Beetle—cars known for value, not frills.

"The Yugo's not a whiz-bang, high-tech vehicle," Mr. Edelson says. "It's not a performance vehicle. It is what it is: Basic, reliable transportation. That's what the Model T represented then, and what the Beetle represented when *it* came out."

> ***"There's a market here for these cars, as long as they come up to standards, and they will."***
>
> **Ron Edelson**
> **Yugo**

Other ads point out that Yugo America imported 180 tons of spare parts before the first car went on sale.

The company also has announced a 72-hour "air bridge" between the Yugoslavian factory and dealers' showrooms in the U.S. to expedite emergency parts shipments.

Sales promotions also play a large role in the Yugo marketing scheme.

The company sponsors the U.S. men's and women's Olympic volleyball teams and had reason to crow when they defeated South Korea's teams, sponsored by Hyundai Motor America. Yugo also has staged several Beetle-esque stuffing contests to see how many bodies can be crammed inside the car—30.

For all the high spirits and good press the company received upon the Yugo's debut last summer, serious questions have been raised about the car.

Though it has undergone a battery of mechanical and cosmetic changes over the years, the Yugo is based on the Fiat 128, a design dating to the early 1970s.

Since Yugo's introduction in the U.S., the company has gone through a major safety recall, and the car received low marks in crash tests conducted by the federal government.

Perhaps most damaging was a critical report in the February issue of "Consumer Reports," which faulted the car's transmission, bumpers and controls, as well as the over-all quality of construction.

"The particular sample delivered to us would have been better served squeezed into a glass of iced tea," the magazine reported.

The magazine also questioned the track record of Yugo America chairman Malcolm Bricklin, who has failed three times before to launch a new car company, most recently importing the Fiat X1/9 and Spider (renamed the Bertone and Pininfarina).

"It's already clear that consumers are having problems with the Yugo," says Jack Gillis, author of "The Car Book," a yearly guide to the safety, performance and costs of available

**Ads touted the 180 tons of spare parts Yugo imported before it began selling in the U.S.**

models. "The dealer support system is woefully inadequate. The Yugo has nowhere near the level of quality of Japanese imports."

Some industry analysts, including Jack Kirnan, vp-director of automobile consulting services for Merrill Lynch Pierce Fenner & Smith, New York, say the Yugo can't match the quality of the expected wave of low-price imports coming from South Korea, Brazil, Mexico and Taiwan.

"It's the wrong car at the wrong place at the wrong time," Mr. Kirnan says. "We don't think the Yugo will be a major player in the coming years."

But don't count the Yugo out quite yet. At the 1986 National Automotive Dealers Assn. convention, officials unveiled the first of two new models. The GVS, available soon, will feature a sporty trim package and an am/fm stereo, and retail for less than $4,800. The GVX, due in 1987, will offer GVS styling with a larger, 1.3-liter engine and choice of two new transmissions (a five-speed manual and an automatic).

Plans also call for a larger, five-door hatchback, a two-seat sports car, a four-door sedan and a convertible by the end of the decade.

Company officials say the cars will be priced below either its American or its Japanese competitors.

"There's a market here for these cars, as long as they come up to American standards, and they will," Mr. Edelson says. "Our commitment has been to keep our profit levels down as the importer and distributor. The manufacturer concurs with this, and so do our dealers.

"We're all making profits," he says.

"You *can* make healthy profits and be a healthy company, and still be able to sell a car at this price."

224,000 1,751,000

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# Koreans roar into minicar market

(Continued from Page S-18)
won't be available nationally for another year—dealerships currently are spread among 31 western, southern and East Coast states—there is no national advertising yet.

According to Mr. Corey, the message is directed toward a relatively upscale, well-educated market: 25 to 49-year-old adults who tend to be college graduates and have a household income of $30,000.

Surprisingly few pitches are directed at college students or those considering used cars. More typical is the ad directed toward young suburban couples looking for a second car; ads note that two Excels cost less than one average American sedan.

In addition to Hyundai's $25 million national account, Backer & Spielvogel administers a $20 million ad budget for the three regional dealer associations. Spot tv ads reinforce the Hyundai corporate message, but are geared toward getting customers to visit a showroom.

Although Jack Kirnan, director-automotive consulting for Merrill Lynch, says he expects Hyundai to sell 100,000 cars in the U.S. this year and 175,000 in 1987, the jury is still out on the long-range success of the Excel. It generally takes a year or so to work out the mechanical bugs for any new car model. Though some South Korean goods have been faulted for sloppy workmanship, consumer protection advocates say they have received few complaints about the Excel.

Hyundai management, however, has been tested in Canada and has earned a reputation for listening and responding to customer complaints.

"We found that for a new car company that had never dealt with us before, they were very receptive," says George Iny, a counselor at the Automotive Protection Assn., a Montreal-based consumer watchdog group that has battled other minicar importers over poor service.

"Hyundai has been hurt by having to grow very quickly. But considering where they were two years ago, starting from almost zero, they have done an unusually good job."

Hyundai's American sales network was designed to ease customer concerns. For starters, buyers automatically are given a free one-year membership in a nationwide auto club with 8,000 service outlets offering 24-hour road service.

"Since we don't have dealers all over the country," Mr. Corey says, "this gives the customer the comfort that wherever he is, his problem is going to be taken care of." Parts are stocked in three regional distribution centers.

With 4,000 applications for just 200 dealerships, Hyundai was able to handpick its retailers and then insist on separate showrooms and service facilities, for a total investment of $500 million. In the revitalized minicar market, a separate dealer network means low-price cars aren't shuffled off in the showroom corner while salesmen concentrate on higher-profit models.

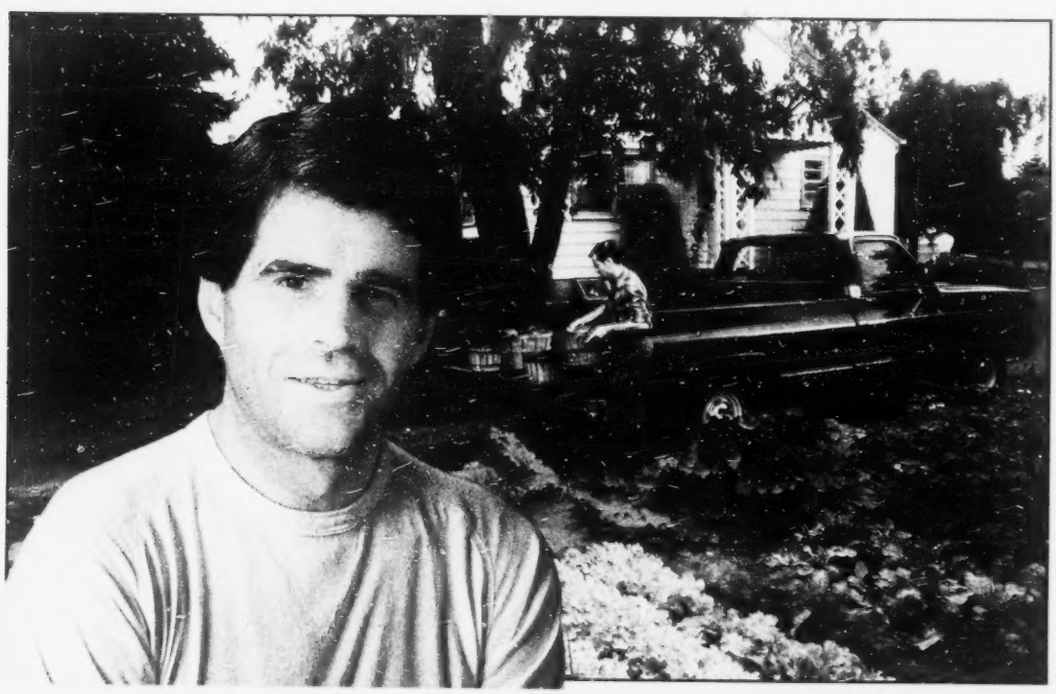
A separate dealer network also will smooth the way for the introduction of new models in the coming years. Hyundai already has the Stellar, a midsize car first manufactured in 1983 and currently available in Canada, and has announced work on a high-priced sedan, to be developed jointly with Mitsubishi.

"One of the key things we've got to do is not just introduce the Excel, but to lay the tracks for the future," Mr. Corey says. "We don't intend to be just an Excel company for the rest of our time in the United States. We intend to grow."

Although good news for economy-minded American consumers, that may be a disquieting thought for Japanese and American auto marketers.

"The automobile market is going to get very interesting over the next few years," Mr. Corey says. "You're going to have to have good value, or you're not going to make the cut."

**Spot tv ads from Backer & Spielvogel for Hyundai's dealer associations urge consumers to visit a showroom.**

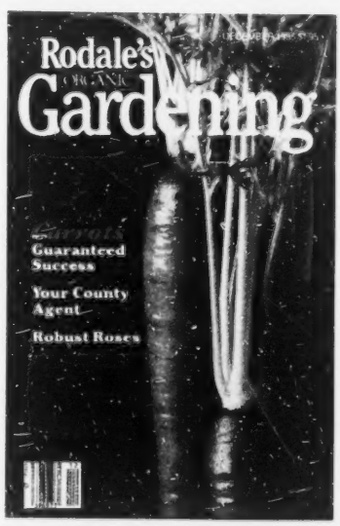
# "My favorite gardening tool? It's my pickup truck."

That's what one of our "Gardeners of the Year" recently told us. And, the pickup truck is obviously among the favorite tools of our three million-plus readers, too.

According to the latest SMRB Survey, *Rodale's Organic Gardening* leads all SMRB magazines (by index) in ownership of two or more light-duty trucks. We also lead the traditional truck media in van ownership *and* compact pickups bought new.

This marks the 4th consecutive year that *Rodale's Organic Gardening* ranks at or near the top—and reflects a basic fact of lifestyle.

For gardeners, vans and light-duty trucks are essential tools. There's just no other way to get their garden supplies and outdoor power equipment to where they're needed. So the choice isn't whether to buy a small truck or van. It's which one and how many.




The advertiser looking to reach this prime market faces an even simpler choice—*Rodale's Organic Gardening*. With nearly twice as many readers as its two closest competitors combined, it's hard-working—like a truck.

For more information, contact Roy Swanson at (215) 967-5171.

Sources: 1985 SMRB ABC

Rodale's ORGANIC Gardening®
It works like a truck.

# Small cars invading the U.S. from many fronts

By Michael Kaplan

Minicars are expected to become one of the fastest-growing segments of the auto industry. Although yearly auto sales are predicted to level off at about 11 million units, sales of subcompacts, fueled largely by minicar sales, should jump from less than 25% of the market in 1985 to nearly 30% in 1990, according to reseach conducted by Jack Kirnan, director-automobile consulting services for Merrill Lynch Pierce Fenner & Smith, New York.

> ***"These cars are going to force Detroit to keep prices down on the low end of the scale."***
>
> **Jack Gillis**
> **"Car Book" author**

Certainly Detroit and Japan will contribute to this expanding market. But increasingly, automobiles will come from countries that never before supplied cars to the U.S. market. "The growth in subcompact sales," Mr. Kirnan says, "will clearly be tied to some new players who are going to be entering the U.S. market between now and 1990."

Yugo and Hyundai are only the first of these new players. Within the next 18 months, perhaps as many as six new low-cost minicars will be arriving in dealer's showrooms.

To keep the price of these cars down, manufacturers are turning to nations where labor costs are only a fraction of U.S. wages. In South Korea, for example, where auto workers are paid an average of less than $3 an hour, plans call for a massive increase in production to service both American and Japanese distribution pipelines:

- Ford Motor Co. is planning to import as many as 75,000 small cars a year from Kia International, a Korean truck manufacturer that recently received government approval to begin passenger car production. Japan's Mazda Motors (25% owned by Ford) is supplying technical assistance and some key components. At one point, Ford had negotiated to become Hyundai's U.S. distributor, but talks fell through.
- General Motors will import its new German-designed Pontiac LeMans from Daewoo Motor Co., Korea's second largest car company (after Hyundai). Plans call for production of 167,000 cars a year, with half available for export to the U.S. Isuzu Motors, GM's Japanese ally, will provide technical support and a share of the output for the Japanese market.
- Chrysler has been negotiating to purchase cars from Samsung, known in the West primarily for tvs and videocassette recorders. While awaiting the Korean government's approval, Samsung will supply Chrysler with auto parts.

In 1987, Ford is expected to begin importing between 50,000 and 100,000 subcompacts from a plant in Hermosillo, Mexico, and Volkswagen of America plans to bring in 50,000 newly designed minicars from its plant in Brazil.

By the end of the decade, the international roster also is expected to include Taiwan, where six companies currently compete locally, splitting sales of about 120,000 vehicles a year. Yue Loong Motor Co., Taiwan's biggest car manufacturer, builds cars under license to Nissan Motor Corp. By 1988, however, it hopes to design its own car, what analysts call a "poor man's BMW," for sale in the U.S. Ford Lio Ho, Ford's Taiwan affiliate, soon will begin exporting cars to Canada.

And then there's Eastern Europe. Minicars including the Czechoslovakian Skoda, Romanian Dacia, Italian Innocenti and Russian Lada are all available in Canada, although it's not certain when, or if, any will be imported to the U.S. The Yugo is available in both countries.

"I'm very optimistic about these new imports," says Jack Gillis, author of "The Car Book," a yearly guide to auto safety and performance. "Even if some of these cars are clearly shoddy, the consumer will ultimately benefit. These cars are going to force Detroit to keep prices down on the low end of the scale."

Price isn't everything, however, and most analysts are hedging their bets. They're waiting until a decision is handed down by the car buying public.

"The real story won't be known for a year or two," says Robert McElwaine, head of the American International Automobile Dealers Assn., a trade association of foreign car dealers. "That's when you find out whether these minicars have earned a permanent spot in the American market, or whether they're going to be a flash in the pan.

"You have to remember that at one time, Renault was the largest selling imported car in America. Things change."


FOUR SCENES IN SEARCH OF AN AUTO

The days when a standard 4-door sedan was the only car most families needed are gone forever. For a large and growing group of consumers, good mileage, great hauling ability, and all-terrain potential are just as important as air-conditioning and cut-pile carpeting.

The fact is, the new compact pickups, mini-vans and downsized 4 × 4's are leading a revolution in the marketplace. And our readers are right in the front lines. They index over 300 in both wood stove ownership and frequency of home improvements. So hauling capacity is crucial. A 289 index in camping and a 360 in boating make 4WD an essential tool as well.

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Sources: Subscriber Study—1985; MRI—Spring, 1985

RODALE'S
PRACTICAL HOMEOWNER
(Formerly NEW SHELTER)

# Financing subsidiaries shift into high gear

By Patricia Strnad

You're on vacation and you made the mistake of leaving home without your American Express card. No problem, as long as you have a Chrysler credit card tucked in your wallet.

It's not as improbable as it seems. Chrysler Service Contract Co., a unit of Chrysler Credit Corp., is testing a dealer-oriented credit card for customers purchasing auto parts and dealer services. The card eventually may get wider applications and become another travel and entertainment credit card, says J.J. Madden, exec vp of Chrysler Credit Corp., a division of Chrysler Financial.

**GMAC promotes its credit offerings to women via national magazines and a brochure.**

It's also one more indicator of how important finance subsidiaries have become to the Big Three U.S. auto marketers. Growing and diversifying at a dizzying pace, they have become true financial giants.

General Motors Acceptance Corp., GM's Detroit-based financing arm, posted total worldwide receivables of $75.6 billion at the end of 1985, up $18.5 billion from 1984.

In 1985, GMAC acquired Colonial Mortgage Service Co., a group of mortgage banking companies, and the mortgage servicing portfolio of Norwest Mortgage Inc. The operations of both were merged and renamed GMAC Mortgage Corp. With receivables of $21.5 billion, that division is now the second largest mortgage-servicing company in the U.S.

In May, the company announced plans to offer its Michigan good-credit car-loan customers home mortgages via a GMAC Mortgage direct mail campaign, probably beginning in late summer.

Meanwhile, Ford Motor Co. last year bought First Nationwide Financial Corp., a savings and loan company, and merged it with Ford Motor Credit Co. The credit company had 1985 receivables of $35 billion, up about 35% from 1984.

Chrysler Financial Corp., Highland Park, Mich., posted 1985 record receivables of $17.7 billion, up 133% from 1984, an increase attributable in large part to an 85% increase in the number of car loans provided. In addition, the company last year formed a joint venture with General Electric Credit Co. That was followed by the acquisitions of E.F. Hutton Credit Corp. and FinanceAmerica. These two companies, Chrysler Insurance Co. and Chrysler Credit, make up Chrysler Financial.

Despite the diversification strategies, the mainstay business of the auto companies' finance subsidiaries is still auto loans. For example, according to a spokesman, 98% of GMAC's current business is auto loans. The subsidiaries support dealers by supplying capital for building dealerships and maintaining high inventory levels, and they provide consumers with financing options and opportunities.

Through an auto company's finance division, the American who needs wheels can choose to buy or lease a car. He can take advantage of the auto marketer's own financing programs and often its preapproved credit. He can use a balloon payment program in lieu of leasing. Now, he can even try to finance his new home.

"The premises under which GMAC was formed in 1919 was to help GM market vehicles by providing customers with convenient on-the-spot financing and to help GM dealers maintain an adequate supply of inventory," says Charles Newcomer, GMAC spokesman.

"The broader the range [of financial options], the more likely you can meet the needs of most consumers."

William Odom, president of Ford Motor Credit, adds, "Clearly we want to sell cars and to finance them; that's the bottom line. We believe that having a well-organized and geographically diverse finance and leasing organization is definitely a competitive advantage to our dealers."

Of the various financing programs offered, some evolved during the auto companies' early 1980s "dark days" and slow sales periods. Others are offensive measures to capture market share. Preapproved credit, for example, is a fairly recent program each of the Big Three uses to lure buyers to dealerships.

GM, through GMAC, offers recent college graduates preapproved credit on all GM cars via direct mail brochures. GMAC

If you want to reach households that earn over 25,000 of these...

arranges financing to good credit risks who can show proof of current or pending employment within 90 days of their graduation.

On occasion, GMAC also offers women preapproved credit in programs advertised via national women's magazines and a 16-page brochure available in dealerships. Campbell-Ewald, Warren, Mich., handles.

Likewise, Ford's College Graduate Purchase Program offers graduates $400 toward the purchase or lease of Ford or Mercury cars and trucks with preapproved credit levels. Ford also has a new three-part preapproved credit program geared toward women that began April 1 in California.

Chrysler now offers preapproved credit, via direct mail, to good-credit Chrysler vehicle owners with current accounts at Chrysler Credit. Its college graduate finance plan offers to delay the first car payment for 90 days until the graduate settles into his new job. Payments increase gradually each month as the graduate develops his income and never exceed 25% of monthly disposable income.

American Motors Corp. will offer preapproved credit to college graduates next year through American Motors Credit Corp., says Martin Levine, general marketing manager.

All four domestic auto companies lease cars as another consumer option. With leasing, the dealer determines a vehicle's worth at the end of the financing period. The consumer's monthly payments are based on the difference only plus interest. For example, a consumer would finance only $6,000 for a $10,000 car with a residual value of $4,000 after four years. At the end of that time, the consumer may give the car back to the dealer, lease another or finance the difference to buy it.

In 1985, GMAC leased about 530,000 vehicles worldwide, up from 200,000 in 1981. Before, the dealer purchased vehicles, then leased them. Now, the finance company buys the car from the dealer and leases it. According to Leading National Advertisers, GMAC spent about $3.5 million to advertise its leasing programs in 1985.

Ford Credit says it decided to take the risk of leasing the cars itself in 1981 because it wanted to encourage dealers to use the Red Carpet Leasing program. "We figured it would double our volume," Mr. Odom says, adding that the number increased tenfold, from 20,000 in 1981 to about 200,000 each year since.

In the past six months or so, the growth rate for leasing has flattened because of low interest rate programs.

As an alternative to leasing, auto companies are testing balloon payments, which are similar to leasing except a down payment is usually required and the vehicle is purchased by the consumer. Consumer advantages include lower monthly payments with a large sum left at the end of the contract, and under current federal tax law the interest would be deductible.

Each of the Big Three is testing a balloon payment program: GMAC is trying out its pilot Buyer's Choice program in Michigan; Ford's Customer Option Plan is being tested in Michigan, Connecticut, New York and California, and Chrysler's Fixed Value Payment Plan in June became available nationwide.

However, Mr. Odom says special low financing rates also are undermining balloon payment loans. GM, through GMAC, in late April offered financing rates from 5.9% to 9.9% on most GM cars. In May, Ford matched that, while Chrysler extended its own low rates.

Ford now is experimenting in eight states with variable-rate financing, new to the auto industry.

Chrysler Credit also is looking at variable-rate financing and expects to initiate a test in about the next six months, Mr. Madden says.

While most domestic auto marketers believe these incentive programs put them at a competitive advantage over import companies that don't have financial arms, AMC disagrees.

"Banks and credit unions are very competitive in those areas," Mr. Levine says. "But I think the concept of a good deal is an all-around good deal, not just a good interest rate."

A spokesman for Toyota Motor Corp. USA, Torrance, Cal., says he doesn't think the domestic companies have a serious competitive advantage because "Toyota dealers can use any financial source they want."

However, in February, 1983, Toyota established Toyota Motor Credit Corp., which now serves Toyota dealers and car buyers in 30 states. The new company expects to be operating nationally by 1988, says John McLaughlin, Toyota Motor Credit business development manager.

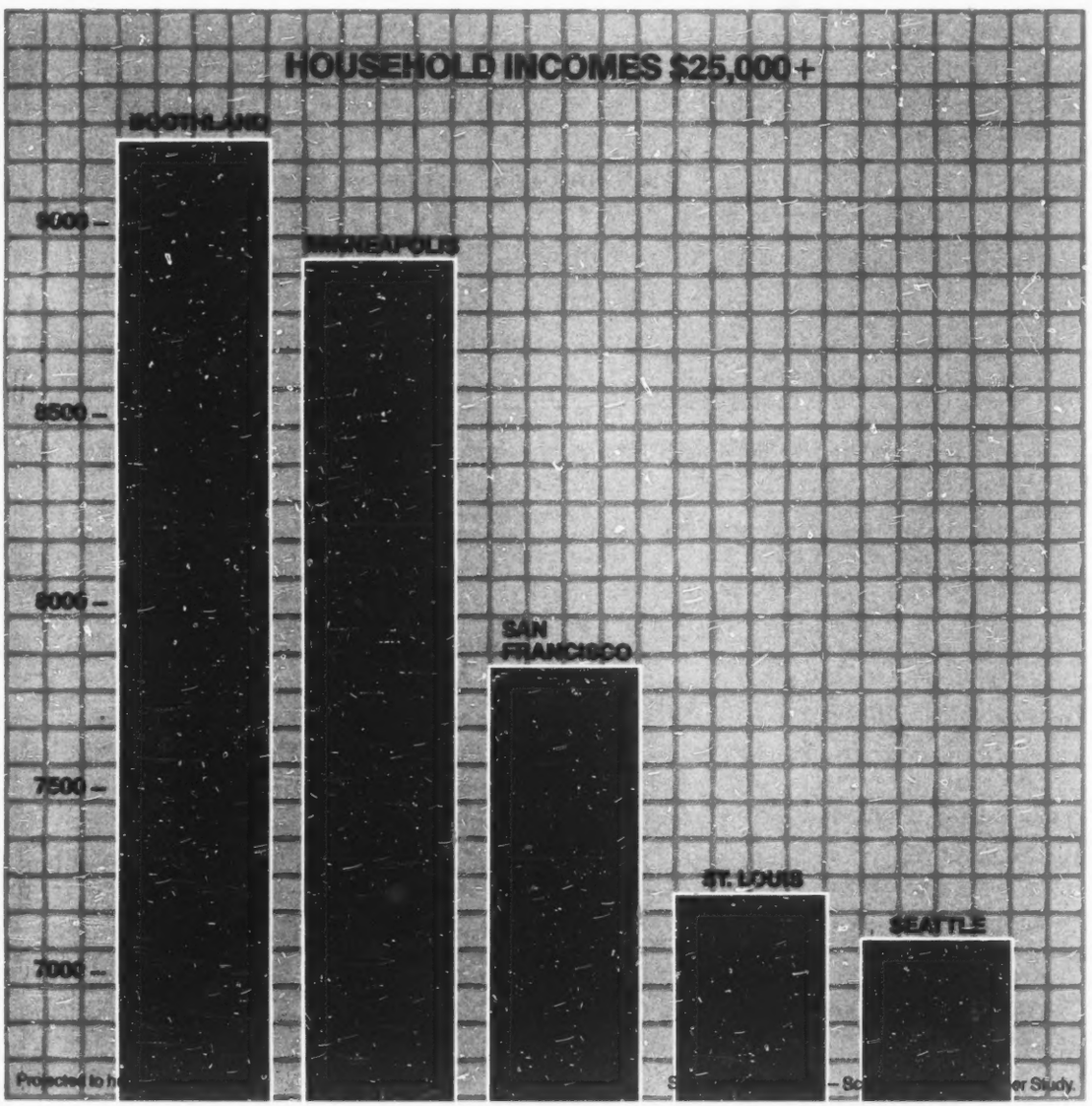
"We started back at a time when getting financing was pretty difficult for the auto industry," he says. "Interest rates were high and dealers were having trouble getting financing."

While Toyota leases cars through Toyota Motor Credit, it doesn't offer preapproved credit and it stays away from low annual percentage rate programs.

"Low, incentive financing is a marketing tool to try to sell cars in a slow period," Mr. McLaughlin says, pointing out that Toyota's import quotas alone have kept dealerships busy.

Toyota doesn't advertise its finance arm or services to the consumer. However, it runs print ads about four times a year in *Automotive News*, a trade publication owned by Crain Communications Inc., parent of Advertising Age.

**Auto marketers have more new financial concepts on the drawing boards, but aren't willing to lift the veil of secrecy. "There are some things we're going to be experimenting with in the next year, but nothing we're ready to talk about," AMC's Mr. Levine says.**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# Design still powers buying decisions

By Roger Rowand

Auto marketers go to work these days with an impressive array of lures for prospective customers: Electronic gadgetry, extended warranties, niche positioning, dazzling dealerships and tempting financing arrangements.

It's impossible to rank the impact of such factors in the purchase decision, often formulated after weeks, months and even years and after considering dozens, or perhaps hundreds, of individual factors. But among auto merchandisers there is little doubt that design remains one of the most critical factors in the purchase decision.

"Design still is 80% to 90% of why people buy cars," says Louis E. Lataif, vp-sales operations for Ford Motor Co.'s North American automotive operations. It ranks extremely high among purchase-decision factors including price, reliability, electronic options, nameplate loyalty and vehicle dynamics.

"My evidence of that is the Ford Taurus and Mercury Sable. They have not been subject to any of the [low-rate financing] programs that have been going on since they were introduced. Still, they are our lowest days-supply cars. They haven't missed a beat. They've just been selling magnificently," Mr. Lataif says.

He forecasts Taurus/Sable will sell at an annual rate of 500,000 units through the balance of this calendar year. Last year, by comparison, GM's Chevrolet Cavalier was the nation's top selling car model, with 431,031 sold.

Those cars are of Ford's new design, which began in 1983 with the Thunderbird and Cougar, Tempo and Topaz. The exterior styling has stimulated a great deal of discussion in auto-buff circles, with some critics saying the cars look too round, bulbous or inflated.

But, Mr. Lataif says, "We have the equivalent of three-quarters of the year's orders in hand after four months of selling. There is no explanation for why that car is doing so well except that it's in demand because of its over-all design."

J.D. Power, president of J.D. Power & Associates, also points to Taurus and Sable as design leaders among current American best sellers. "The styling has come through very, very strong for a conventional, middle-size American sedan," he says.

"With those cars, Ford Motor Co. for the first time is attracting higher-income, better-educated buyers. It's having a strong impact on the midrange General Motors category."

"I think what can be called design, the basic product attributes, is still the major reason people buy automobiles or any other commodity," Mr. Lataif says. "There always will be a small fraction of people who will be lured into something they really didn't start out to buy because the deal was so irresistible. That is not a high proportion of the total business, nor is it a good diet for a manufacturer to be on. That's all artificial. It doesn't stick to the ribs.

"Good cars stick to the ribs," he says.

He uses an analogy of interpersonal relationships when talking about styling.

"Styling is extremely important. One first needs to have his or her head turned. A pretty or handsome face does at least get your attention. Whether it holds your attention will be a function of whether it can converse and has some character, which is the vehicle in usage. At least you get the attention by the shapes and the look and the features you can see and touch and appreciate even in the showroom."

*Roger Rowand is engineering editor of* Automotive News, *a Crain Communications Inc. publication.*

**A Ford executive cites Taurus and Sable sales as proof that design is a major factor in the decision to buy a car.**

**People who buy a Chevrolet Corvette are buying the car in large part for its appearance.**

**Styling such as that of this Cavalier convertible can turn consumers' heads.**

**The sales success of the Plymouth Voyager is called design-driven.**

**Dodge Caravan designers kept an eye on space, function, style, order and quality.**

Chrysler Corp. headquarters in Highland Park, Mich. Thomas C. Gale, vp-product design, says, "Appearance is the point of entry for consideration in the minds of potential customers. And consideration of product is the first step in the buying process. If the appearance isn't right for the target market segment, then consideration diminishes drastically."

But the importance of design in the over-all picture depends on the category of cars you're in, says Mr. Power, whose Thousand Oaks, Cal.-based customer survey company analyzes consumer buying plans. "The higher the price of the car the greater the impact of the styling, the design."

The other vector goes in the direction of sportiness, he says. Sports cars are highly dependent on styling as are the sporty sedans. Predictably, in a basic sedan it's not as important. "The buyer of the bread-and-butter car is looking for function rather than appearance," Mr. Power says.

"People will buy for appearance. It can be an overriding issue in certain buyers' minds—the Corvette and the Mustang come to mind."

Mr. Power says the things people consider most important as they start looking for a car change as they progress through the buying cycle.

For example, styling appearance and body style might be most important early in the cycle, then later in the cycle may

93% of our readers own at least 1 car, with 1 in 5 preferring standard or luxury models.

50 plus

issues and then make, price and availability.

"Owner loyalty is a thing of the past, not just for company but for type of vehicle too," Mr. Power says.

"People go from pickup to sports car to sedan. At one time in the past, a sedan buyer bought another sedan. Today, people are looking for new experiences.

"But mostly, what customers are looking for is a complete package that includes car, dealer, satisfaction or trouble-free operation," Mr. Power says.

Peter G. Guptill, vp-U.S. sales for American Motors Corp., Southfield, Mich., agrees that the importance of design considerations depends on the consumer's place in the buying cycle.

"Design is probably more important when you are just generally thinking about buying a new product. At that point all the offers are probably discounted because you're not in the market right then," Mr. Guptill says.

"You probably are getting an idea of what cars fall into the 'I like' category.

"On the specific day you're going to leave the house to go shopping for a car is the day

***"Design is probably more important when you are just generally thinking about buying a new product."***

**Peter Guptill**
**AMC**

things like [financing] programs mean more," he says.

One of the most dramatic recent examples of design-driven automotive success is that of Chrysler Corp.'s minivan, Plymouth Voyager/Dodge Caravan, which went into production for the 1984 model year.

"Designers have packaged and styled the interiors with an eye constantly on space, function, order, style and quality," Chrysler's Mr. Gale says.

"Engineers have innovated electronic engine controls and instrumentation that is more useful in terms of comfort, convenience, safety and ease of service.

"The designers have played a key role in making these features acceptable to the buyer in terms of driver and passenger environment.

"That is, instrument clusters are easy to read and understand, lighting is improved, the occupants 'feel better' inside the car with improved seating, more useful features, luxury appointments and harmonious colors and fabrics," Mr. Gale says.

Chrysler-Plymouth sold 219,000 Voyager and Caravan models in 1985, up from 167,000 the previous year.

But David Cole, professor of mechanical engineering at the University of Michigan, Ann Arbor, and automotive consultant, says the industry is in a design transition period—one in which gimmickry and solid functional design are competing for consumers' attention.

"Things are very mixed up right now because of the transitory nature of the industry. The market is confused," he says.

However, he believes only those design features that make fundamental contributions help the sales of those automotive products. Others he classifies as gimmicks.

Among useful design features, Mr. Cole lists on-board electronic diagnostics, antilock braking systems and electric power steering.

His tally of gimmicks, meanwhile, includes talking dashboards and dashboards dotted with buttons.

"Some of it strikes me as being vehicle erotica, as though someone was trying to sell me erotica," he says.

"I like technology, but a lot of things smack of being sold on the basis of technology rather than on their function.

"We're going through a sorting-out process on this type of thing."

***"With [the Sable and the Taurus], Ford Motor Co. for the first time is attracting higher-income, better-educated buyers. It's having a strong impact on the midrange General Motors category."***

**J.D. Power**
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# Volvo selling the company behind the car

By Kenneth Wylie

When Volvo Cars of North America added an extra word to its advertising theme in May, it signaled a new attitude for the Swedish auto marketer. No longer was Volvo simply "a car you can believe in" —now it calls itself a car *company* to believe in.

Building on a 30-year-old image as an importer of safe, reliable automobiles, Volvo now is ready, with new ads and a full product lineup, to boost its 1% share of U.S. auto sales.

From its first import, the 1956 PV444, to its now-promised Bertone-bodied beauty, Volvo has been kicking the tires and slamming the doors of American buyers, attempting to find what kinds of cars they wanted.

Volvo carefully has picked and pursued its target markets, all affluent.

But now Volvo, the largest pure European importer of cars to the U.S., is ready for more universal acceptance. The company has adopted something of the philosophy that General Motors was talking about 10 years ago: Its business is no longer selling cars but selling marketing.

April issues of consumer magazines carried a Volvo ad with the display line "The Volvo Book of Records" and accounts of the car's longevity, owner loyalty, speed, ample body capacity and structural strength as shown by the famous stack of seven Volvos. But only a few weeks later came ads for the new On Call membership card, boasting the revised tag line, "A car *company* you can believe in." Both were the work of Volvo's agency, Scali, McCabe, Sloves, New York.

This corporate approach is something new for Volvo's part of the auto marketing spectrum, which is "near luxury," according to Fred Hammond, product publicity coordinator for Volvo Cars of North America, Rockleigh, N.J. For chief competitors Daimler-Benz, Bavarian Motor Works and Saab-Scania, the machinery is the message.

**Volvo ads from Scali, McCabe, Sloves for the new On Call program now boast "a car company you can believe in."**

Says Gerry Dudzik, national advertising manager for Volvo Cars of North America, "Volvo advertising in the U.S. is aimed at enhancing and evolving our reputation for quality, safety, reliability and price value."

In 1986, that is extended with the On Call program. Buyers of 1986 Volvos receive the On Call program, introduced May 1, in addition to a three-year unlimited mileage warranty.

On Call, according to Volvo's new marketing strategy, is not just an add-on, but an extension of the car's mechanical quality. "We try to make ourselves the best value, and now we are doing that specifically through our software program—the unlimited warranty and the On Call service," Mr. Hammond says. "What that means is that when you buy our car, you're buying into our company."

Volvo offers the On Call program in cooperation with the Amoco Motor Club, which administers it. On Call offers a traditional road assistance program *plus* service as often as needed, 24 hours a day, 365 days a year. Volvo has announced it nationally through its normal print schedule, including broad-reach magazines including *Time*, *Newsweek* and *Sports Illustrated*, vertical publications including *Fortune*, *Forbes* and *Business Week* and major metropolitan daily newspapers.

The service is similar to one Mercedes-Benz of North America introduced three years ago. Mercedes' Roadside Assistance program provides one-call emergency help after "normal service hours." That service costs the stranded motorist the dealer's hourly repair charge plus a $25 service charge. And it, like Volvo's plan, is coupled with a warranty for 48 months or 50,000 miles.

The On Call plan is appealing as an add-on to close a deal. But why this lavishing of care from the tough engineers, this sudden warmth from the Swedish reserve? Volvo has a nuts and bolts answer.

"Building a better car is no longer enough," says Joseph L. Nicolato, president and chief executive officer of Volvo Cars of North America.

Mr. Hammond elaborates: "Automation has allowed a lot of manufacturers to catch up in quality. Safety requirements imposed by government have *made* car producers manufacture safe cars. So Volvo had to go a step further. That's why we've introduced software like On Call."

This transition is not the first since Volvo began production in 1927. Heavily backed by the big Swedish ball-bearing maker SKF, Volvo aimed to give Scandinavian customers—then big buyers of U.S. cars—a product it considered better able to take the rough roads and cold winters of the North and keep on muttering, "I roll," the English translation of the Latin *volvo*.

In the 1950s Volvo began to develop its own distinctive exterior style. Emphasis has been on serious, formal design, with the engine in the front and the drive wheels behind, in a boxy, well-girded body. Prices were broadly affordable.

That first Volvo export to the U.S. and Canada, the 1956 PV444, was offered in just two styles, the two-door fastback and a three-door station wagon.

In the 1960s, Volvo was shipping its Amazon 1800 Series sedans, two-doors and station wagons to North America. A broader, increasingly partisan Volvo public was developed. Later in the 1960s came the 140 Series, with new marketing emphasis on Volvo safety.

The 1960s also saw the arrival of the Japanese offerings, priced

## Volvo sales

| Model | 1985 U.S. sales (number of cars) |
|---|---|
| 240 DL | 39,169 |
| 240 GL | 9,578 |
| 240 GLT Turbo | 2,166 |
| Diesel | 1,938 |
| 740 series | 37,164 |
| 760 | 4,064 |
| Tourist | 1,962 |

Source: *Automotive News*

*Kenneth Wylie, a frequent contributor to Ad Age, examined cellular telephone service in the May 16, 1985, Automotive Marketing Special Report.*

## *Swedish marketer travels new road*

Volvo Cars of North America begins its product segmentation this year, with two long-anticipated models.

In October, publicity will begin on the Volvo 780, a two-door coupe scheduled to be available in 1987 with a $20,000 to $30,000 price tag. Carozzeria Bertone S.p.A. of Turin, Italy, is designer and builder of the body.

The only component the Bertone coupe will share with the rest of Volvo's 700 series is the floor pan, and the informed word is the car will have a family resemblance to other Volvos but in a smoother, evolutionary form.

Gerry Dudzik, national advertising manager for Volvo, says there is a strong possibility there will be a presale of the 780 Bertone coupe.

Customers may be allowed to view a display model or sales presentations and then place orders.

The advertising manager says that in the first 12 months of North American availability, total Volvo 780 shipments will be fewer than 2,000 automobiles.

Reginald Duquesnoy, securities analyst with Arnold & Bleichroeder, New York, says, "If Volvo sells [the Bertone 780] in the 5,000 to 10,000 range [annually] it will be a roaring success."

He expects the car to "nibble at the heels of Daimler-Benz," the German parent of Mercedes-Benz of North America, in the latter's more expensive automotive lines.

Tilting toward the other end of the price scale will be Volvo's second example of product segmentation, the DAF/Volvo 480 ES, set for 1988 availability in the U.S.

This two-door sports coupe with front-wheel drive is a first for Volvo; a version is currently available in Europe. It is the product of Volvo Cars BV, a Dutch subsidiary.

The DAF coupe probably will come to the U.S. almost fully equipped and will be one of the first cars to have fully adjustable rear seats. Pricing is expected to be between $13,000 and $16,000. All Volvo dealers are slated to receive the car.

**Carozzeria Bertone of Italy designed and built the new Volvo 780 to be available in 1987.**

According to Mr. Dudzik, the target consumer for the 480ES is younger than current Volvo buyers, perhaps skewed male, and could offer the first big opportunity to broaden Volvo's market.

"With any luck," Mr. Dudzik says, "this could afford Volvo Cars of North America the opportunity to bring more people back into the line at an entry level." —*Kenneth Wylie*


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Source: Scarborough Research, 1985

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to sell. Although Volvo continued to find a receptive American public for its new 240 Series in the 1970s, all was not well. So said Volvo's car division president, Haken Frisinger, as quoted in Graham Robson's Volvo-approved book, "The Story of Volvo Cars" (Patrick Stephens Ltd., 1983):

"In the middle of the 1970s, we lost some image with [the 240 Series]. The quality suffered—yes, really—and perhaps the car didn't look different enough from the old 140 Series. So we started up in 1976 and 1977 with a stronger product-development program." This resulted in the new sharp-creased 700 Series. Statistics told the need for the change; Volvo production dropped from about 232,000 cars in 1973 to 158,000 in 1977.

"We reworked, redesigned the car," Mr. Hammond says. "We put in more value such as fuel injection. We went upmarket in the price. The buyer up to then would spend $4,000 for a good car but might not spend $8,000 or more."

"Volvo has done a better job than anyone else so far in making a major product upgrade, going from a $10,000 car driven by university professors to a $20,000 driven by yuppies," says Reginald Duquesnoy, securities analyst with Arnhold & Bleichroeder, New York.

In making this change, Mr. Duquesnoy says, Volvo needed to maintain its image of crash-safety quality and reliability—and it has. "They also needed to convince buyers that they're getting 'German' quality at Swedish prices," he says. "Volvo has tried to ride piggyback on the German automotive reputation [but] Volvo is not quite BMW, [and] is one notch below Daimler-Benz."

Today, the company has the capacity to build a maximum of 400,000 cars a year. On those terms, Volvo cannot compete with the Japanese. So what it has done is take the car of the past and embedied its same virtues in today's line of Volvos—higher priced but, the company says, giving style and value for the money.

In response to the changes, Volvo's U.S. sales started rising again in 1978 and have climbed about 4% a year since. In 1985 Volvo sold 104,000 cars in the U.S. plus 8,000 in Canada, and Volvo projects total U.S. sales of 110,000 for 1986.

"Volvo is now designed with the American market in mind," Mr. Duquesnoy says. "Their real forte is the station wagon." He says Peugeot Motors of America and Daimler Benz have produced quality station wagons, but at a higher price.

Mr. Dudzik sheds more light on the company's positioning. "In its station wagons, Volvo has made one of the strongest commitments [to a product] of any auto maker. That is, Volvo devotes more of its product line—now more than 34%—to wagons than any other company."

Station wagons now sold by Volvo in the U.S. are the 240 Series, priced from about $15,100 to $17,800, and the bigger 700 series, which sells for $21,300 to $25,400.

The next marketing stage for Volvo is product segmentation, aimed at securing a bigger U.S. market share. *(See sidebar.)*

Volvo engineers its sales targets like its automobiles—precisely. Marketing and sales forces plot four demographic variables for each model. For example, promotion for the 240 DL and GL family sedans is aimed at both male and female 25 to 54-year-olds who have attended or graduated from college, with household incomes of $35,000-plus. Variations are apparent for the 240 Series station wagons, where the target is skewed 40% male.

To reach its targets, Volvo relies heavily on consumer magazines. The company now is spending about 45% of its budget in North America for space in national newsweeklies, business magazines, car buff books, science and life-style publications. But the list is shorter than three years ago, down from 40 to 23 titles in an effort to free ad dollars for other media, although both total budget dollars and frequency have climbed.

In 1985, Volvo's U.S. measured-media ad spending totaled $20.3 million, with about $11.1 million spent on magazines. An additional $7.7 million was spent on spot tv buys in 35 markets, with additional outlays for radio and newspaper support in some of those markets.

"In Volvo advertising," Mr. Dudzik says, "we feel strongly that what we are doing is awareness-building, not just selling a product."

With a quality reputation established and new products on the way, Volvo now is poised for an era of greater segmentation with a strong tilt toward near-luxury and luxury offerings. "We are proud of the cost-value equation of our cars," Mr. Hammond says. "Yes, you pay more, but you're getting more—getting what you pay for."

Wisdom in the auto import business seems to point this way in the mid-1980s. Everybody recognizes, so the reasoning goes, that there is little value in increasing production to increase revenue. Instead, you upgrade the market. Today, growth in the export car markets is said to be in the higher-price auto lines, and, according to Mr. Duquesnoy, 80% to 85% of the world's luxury-car market lies in the U.S. And wealth has its privileges.

"For one thing, in this end of the business, you're not competing on price but on deep consumer feelings," Mr. Duquesnoy says. "So you're immune from Japanese competition.

"For another, there's a much higher content of automotive technology in these [higher-price] products. Volvo is like most European car makers. They've had much longer to learn the car business. The Japanese will have to earn their stripes. You just don't come up overnight."

It took Volvo 59 years.

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Source: *Belden Associates CMS*
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# Rolls-Royce rides on reputation, not ads

By Brian Oliver

In a memorable ad, David Ogilvy once wrote, "At 60 miles an hour the loudest noise in a Rolls-Royce comes from the electric clock."

Mr. Ogilvy's sentence captured the quality image that has formed the basis of the British car's worldwide brand identity since Mr. Rolls and Mr. Royce teamed up in 1906.

Rolls-Royce has become a term for excellence. In fact, the company's legal department is kept busy dealing with inquiries from other marketers who want to use the name in their ads. "The Rolls-Royce of dental chairs" is one phrase London-based Rolls-Royce Motors recently refused.

"The Rolls-Royce image is one that anyone would envy," says Reg Ludlow, General Motors' ad manager in London. "You tend to just take it for granted."

Saab-Scania's London-based advertising and sales promotion manager, Paul Banks, agrees. "It must be a great advantage to have such total worldwide awareness that potential customers already know your product and its unique selling proposition."

Rolls-Royce Motors sustains this brand identity with a minimal amount of advertising, handled by three agencies worldwide: Della Femina, Travisano & Partners, New York; Cogent Elliott, London, and Dancer Fitzgerald Sample & Roth, Munich, which handles advertising throughout continental Europe. The auto marketer advertises a little in the Middle East, but hardly at all in the Far East and Latin America.

Although Rolls-Royce officials say they will put about $285,000 in 1986 ad support behind both the Rolls-Royce and Bentley marques in Great Britain, the company won't disclose its worldwide ad budget.

"Our ad spending is not as high as people expect," says T. John Foster, Rolls-Royce marketing operations director. "We are naturally a target for publications' advertising managers, and they are often quite shocked when we tell them we *don't* advertise [very extensively]."

Sue Gay, associate publisher of Morgan-Grampian's *Autotrade*, says Rolls-Royce is also the only company that doesn't provide a test car for automotive journalists.

With the average Silver Spirit selling for $100,000 in the U.S., that's perhaps understandable.

Mr. Foster says the company's marketing strategy is based on a "rifle" approach—with research used extensively to identify potential customers and their requirements.

For example, one recent worldwide survey revealed that the most popular Rolls-Royce colors are white and black, with white models appealing mostly to Americans.

In some cases, local dealers—despite its relatively small volume, Rolls-Royce never sells directly to customers—will pinpoint potential individual as well as corporate buyers. "There is no substitute for getting a man behind the steering wheel," Mr. Foster says. "It says so much more than any ad."

Rolls-Royce's advertising may appear scant, but it is backed by a substantial amount of promotional activity at the dealer level. This includes social occasions for potential customers ranging from fashion shows to clay-pigeon shoots and polo matches.

Anthony Thompson, who until last August owned Rolls-Royce of Beverly Hills, Cal., says the largest task for a dealer is measuring up to the potential customer's expectations of what buying a Rolls-Royce should be.

"You have to recognize in selling a very expensive item—a yacht, a motorcar—you're selling first style. You present the style they expect with the maximum amount of panache."

Generally selling between 80 and 90 cars annually, Mr. Thompson was the largest U.S. Rolls dealer during eight of his ten years in business. His Beverly Hills ad budget was based on $400 per car, which was matched by Rolls-Royce for an annual budget of between $60,000 and $80,000.

The basic strategy contained three elements: Sponsoring a weekly classical music radio program, participating in several charities and hosting periodic parties known as "Rolls-Royce of Beverly Hills Happenings."

In one instance, Mr. Thompson showcased Rolls-Royce cars at a mansion to commemorate the 75th anniversary of the company. Another time, he hosted Princess Margaret at the opening of his new service department. "If we couldn't do it very, very well, then we didn't do it at all," he says. "We wanted to create a whole picture of a quality product."

Mr. Thompson says his job was to "demonstrate the way of life and the quality of life that comes with Rolls-Royce ownership. One cannot drive his $7 million house down the street, but if he drives a Rolls-Royce, people most certainly will think he has a $7 million house tucked somewhere up above Sunset Blvd."

Mr. Foster says Rolls-Royce does not have a central ad strategy mainly because the car is perceived differently in each market, and buying patterns and attitudes vary. As a result, the creative approach, coordinated by operating centers in the U.S., Great Britain, Canada and Switzerland, also differs in each territory. Only the media mix tends to be similar, with a heavy emphasis on glossy, upscale magazines.

"Our advertising approach is determined by local taste and judgment," he says. "The positioning of the car in each territory depends on social acceptance and attitudes to price."

He says local dealers are required to spend a preset amount on advertising, augmented by incentives from the company. Rolls-Royce is not involved in the creation or placement of advertising, although headquarters approves all ad copy.

North America is an important market for Rolls-Royce; 49% of the 2,500 cars it sold last year went to the U.S. American sales increased by 2.5% last year, while total worldwide sales rose about 8%.

As a result the company advertises more heavily in the U.S.

**Rolls-Royce advertising plays off the luxury car's reputation.**

*Brian Oliver is an Advertising Age correspondent in London.*

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Source: 1985 Simmons–Scarborough Study

The Milwaukee Journal
Milwaukee Sentinel

than anywhere else in the world. "We recognize that we have a number of competitors, like Cadillac, which are very aggressive," Mr. Foster says. "Clearly, we have to be in the race as well, and we are now competing very strongly in the U.S. market."

A year ago, Rolls-Royce Motors of Lyndhurst, N.J., broke a new U.S. campaign, through Della Femina, comparing its cars directly with chief competitors Mercedes-Benz, BMW and GM's Cadillac division. Print ads, with the tag line, "Simply the best motor car in the world," are running in upscale magazines including *The New Yorker, Metropolitan Home* and city magazines.

Mr. Foster says U.S. automobile marketers now are producing "some excellent and very creative pieces of advertising," and adds, "I've never really been a fan of British car advertising."

Rolls-Royce's British advertising is confined to used cars, or "previously owned" cars, as the company prefers to call them. Rolls-Royce "hasn't advertised new cars in the U.K. for a number of years, although we advertise new cars fairly aggressively in the U.S.," Mr. Foster says.

***Research shows that most Rolls-Royce owners enter the market by buying a used model.***

"Outside the U.S., I don't believe advertising is the medium by which people are attracted to Rolls-Royce. There is certainly no evidence in the U.K. to show that advertising has any significant influence on the buying process. But it *can* sell previously owned cars."

Research shows that most Rolls-Royce owners enter the market by buying a used model, says Chris Morris, a director of Rolls-Royce Motors' British ad agency, Cogent Elliott.

A similar approach has popped up in the U.S. during the past year, with BMW of North America and Jaguar of North America both introducing factory warranties on used models to provide an "entry level" for potential new car buyers.

Mr. Morris says the British ads mostly appear in prestigious, glossy magazines, including *Tatler* and *London Gentleman*, and national newspapers such as the *Sunday Times*.

Many competitors believe reputation is sufficient to sell Rolls-Royces. They have mixed feelings about the company's advertising.

"It is predominantly bland and hardly sets the world on fire," Saab's Mr. Banks says. "But, with Rolls-Royce's image and high level of awareness, there's probably little point in spending millions on advertising anyway."

Meanwhile, GM's Mr. Ludlow describes Rolls-Royce advertising as "very laid-back and confident. Their used car advertising in the U.K. is a very clever move," he says. "As well as enabling new people to enter the market, it is making it easier for existing owners to sell their cars and replace them with new ones."

On the European continent, however, the emphasis is on selling new Rolls-Royces through ads in selected life-style magazines and Paris-based Hermes' prestigious mail-order catalog. In each case, the company's objective is to be positioned alongside other high-quality merchandise.

Switzerland and West Germany are Rolls-Royce's biggest European markets outside the U.K. In terms of numbers, France and the Benelux countries are also considered important markets, although the company rarely advertises in France or Italy, where the rich generally buy sports cars.

***"We are now competing very strongly in the U.S. market."***

**T. John Foster**
**Rolls-Royce**

The company has found that its Bentley marque has greater appeal in countries such as Italy. In 1982, the Bentley was repositioned as a sportier alternative to a Rolls-Royce.

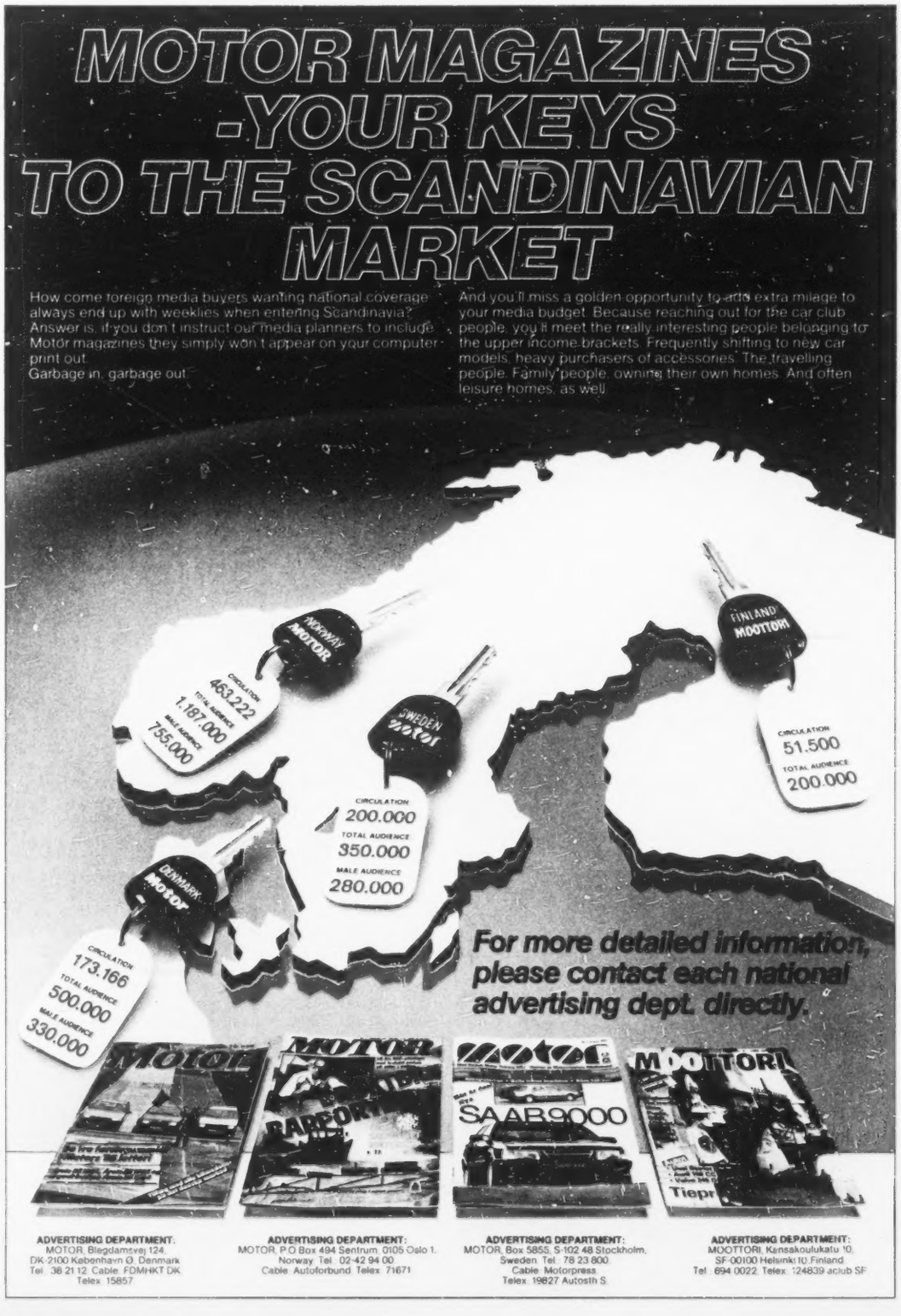
Industry observers say it is moves such as Rolls-Royce Motors' decision to separate the marketing of its Rolls and Bentley marques that are enabling the company to market its way out of recession.

As recently as 1982—when economic recession was biting at the heels of companies all over the world—Rolls-Royce's sales were hindered by the car's ostentatious image as "the ultimate status symbol."

Apart from the fact that many struggling companies no longer could afford a Rolls, it became harder for a company president or government official to justify buying a new model.

Ford Motor Co. says political pressure is leading cash-conscious authorities in Britain and Europe to move away from "the Rolls-Royce image." According to Ford, it is now selling more of its top-of-the-range cars into the traditional Rolls-Royce market. Even members of the British royal family drive Fords on informal occasions, the company says.

But Cogent Elliott's Mr. Morris stresses that the Rolls-Royce market is now "very buoyant. The company has its strongest order book for years."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# Mapping regional marketing differences

By Thomas L. Moore

Stung by sagging market share, domestic automobile marketers are scrambling to translate corporate strategies into the most effective marketing for specific regions throughout the country.

That's not to say national concept advertising is going the way of the Model T. But regional marketing campaigns that accurately reflect consumer expectations and cater to local tastes can expand, improve or, in some places, replace the national marketing message.

By tailoring a message to regions, car marketers are acknowledging that what plays in Peoria may not make it in Southern California.

*Thomas L. Moore is a freelance business writer.*

Auto marketing executives say American car-buying habits vary from region to region. In the Northeast, for example, people are more concerned about fuel economy and front-wheel drive for snow and maneuverability on tight city streets. In the South and the Southwest, more pickup trucks are sold. And in Florida, a large older population has increased demand for full-size cars.

To accommodate these differences, General Motors' Chevrolet division has divided the country into four areas, while its sister Buick division uses two regions. Chrysler Corp. designates five regions and 25 zones within those.

Regional marketing started in California, which accounts for one-eighth of U.S. car sales but lags behind the rest of the nation in domestic car registrations.

Only 51.7% of California's 1985 new car registrations were domestic models, compared with 72.3% nationwide, according to R.L. Polk & Co., Detroit.

"Because of the inroads of Japanese imports, all domestic manufacturers are doing significantly poorer in the West than they are in the rest of the country," says Irwin Davis, a partner in Vic Oleson & Partners, Los Angeles, the regional ad agency that handles Chevy's $10 million West Coast efforts.

"So they looked to the West first to protect their own flanks.

"They found they had some problems in the West and [so far have] treated those differences successfully. Now it's a question of looking around and identifying the regions and the differences that can be treated in each."

Domestic car marketers were a step behind the import car companies. "The imports did regional marketing from the beginning," says John Burrow, marketing manager-west for Chevrolet, Thousand Oaks, Cal.

Import restrictions forced foreign marketers to adopt a regional marketing approach based on where the cars were available. The importers targeted California first—the closest port of entry—then moved to the major population centers on the East Coast and through the South.

The recent arrival of Hyundai Motor America bears this out. Although as a Korean manufacturer the company escapes the federal government's import limits, Hyundai still didn't have the number of cars to meet expected demand.

> ***Import restrictions forced foreign marketers to adopt a regional marketing approach based on where the cars were available.***

"It makes no sense to launch a nationwide campaign if you don't have the product available nationwide," says Joe Corey, national advertising manager for Hyundai Motor America in Garden Grove, Cal. "As dealers fulfill our franchise agreements, we start our advertising effort."

Lee Gallas says the domestic auto makers were slow to wake up to the realities of the marketplace. Mr. Gallas is founder of Competitive Edge, an Albuquerque, N.M.-based ad agency specializing in auto dealer accounts, and the author of eight books on regional marketing, or, as he prefers to call it, direct result marketing.

Imports spend about 60% of their marketing budgets at the regional level, Mr. Gallas says. General Motors, by comparison, spends about 20% to 30% on regional marketing and other domestic auto makers about 10%.

Regional marketing, however, means something different for each division. Many view the regional efforts as an extension of dealer association initiatives aimed at generating immediate sales. Others augment national image campaigns with regional efforts.

For instance, Chevrolet's California campaign through Vic Oleson & Partners will do little to change the national marketing campaign for the Corvette or the Camaro.

"There's no reason to change because the reasons for buying the car are the same no matter where you live," Mr. Davis says. "You are selling a prestige and performance car."

But that's not so with Cavalier. Chevy's top seller nationwide ranked a lowly 16th in California two years ago, before the company adopted its regional marketing campaign.

Nationally, Cavalier is sold as a utility family vehicle that, for the price, can carry a lot of people.

But in California, Mr. Davis says, "We emphasize the sportiness and excitement of the car." In fact, Chevy introduced a special Cavalier designed especially for California that features a bigger engine and subtler styling. That approach helped catapult Cavalier to the No. 9 position in the state last year.

Chrysler also has created a special line for California: The Lancer Pacifica, an all-white version of the Lancer with different wheel covers, spoilers and air dams.

Chevrolet tailored a special California campaign for Nova, the new line being produced through the joint venture between GM and Toyota Motor Sales Co. The national campaign, "The best of both worlds," was "not the way to go in California," Mr. Davis says. "That wouldn't reach the audience we needed. The theme line that did the best job of reaching those we wanted to reach was, 'Imported from America.'"

Chevy's Mr. Burrow says that to be effective, the regional campaign "must work hand in hand with the national efforts." What Chevy does is to "fine-tune the national efforts through spot buys and regional feeds for those product lines that are not getting the proper emphasis."

More often than not, the auto marketers are working with dealer associations to target the proper audience and develop the most effective campaigns.

Chevy's California campaign, although coordinated by headquarters, works closely with the dealer associations. "They are one of the keys to the success of regional marketing," Mr. Burrow says. "They have huge war chests. We work hand in glove with them."

Automotive marketers disagree on the merits of using local ad agencies for regional marketing.

"I'm not sure we need regional agencies," says Chevy's Mr. Burrow, whose company is dealing with a regional agency on the West Coast, but working through Campbell-Ewald, Warren, Mich., in its other three regions.

"What you must have is a local specialist, the dealer. It's important to be on the scene and to live here to make sure the products are appealing to consumers and to make sure you understand the buying habits. It's better than being in Detroit."

John Dables, general director of marketing and sales planning for Buick Motors, has found success working through a single agency, McCann-Erickson, Troy, Mich.

Buick kicked off its California campaign by choosing nine dealers and discussing both factory and dealer strengths and weaknesses. "We needed to discover what our major problems were, both in terms of the product and our approach," Mr. Dables says.

In response to Buick's regional marketing plans, McCann-Erickson established a regional marketing organization, a partnership that coordinates activities in the various regions.

Not only does McCann-Erickson put regional marketing executives in each of the regions, but it also has set up a local broadcast group responsible for factory funds that dealer associations use for local buys.

According to Jan Starr, M-E senior vp-management representative, the regional marketing organization was put together in response to "intensified auto sales competition, increased product offerings, increased importance of regional marketing to optimize marketing opportunities in specific geographical areas."

> ***"It is a national phenomenon. The ability to understand markets better on a regional basis allows us to fully take advantage of opportunities."***
> **Jan Starr**
> **Buick**

"This partnership between the national and regional activities is a two-way street for information," he says. "The regional marketing organization provides national strategies to dealer organizations on a timely basis, so they can supplement and complement the national marketing campaign and, at the same time, to get feedback from areas to develop smarter national strategies."

But despite these successes with single national agencies, Competitive Edge's Mr. Gallas predicts tough times ahead.

"Corporations are asking for more bang for the buck and for more accountability," he says. "And when you ask for that, you're talking about direct result. It will be very hard for the huge behemoth agencies to think retail.

"We're talking about one-night stands and they're used to playing one network show a year."

Although regional marketing still is a new concept, so far marketers are pleased with their re-

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gional marketing efforts.

"Sales are up, but market share has not increased dramatically," Mr. Dables says. But Buick is looking at this as an educational campaign.

"This is not a buy-now philosophy. We're committed to the long-term educational effort of our staff and our dealers to meet customers' expectations. We must make sure they're satisfied so when they come in they buy Buick."

M-E's Mr. Starr agrees. "It is a national phenomenon. The information regarding target audiences and the ability to understand markets better on a regional basis allows us to fully take advantage of opportunities."

After opening offices in both New Orleans and Houston, Chrysler increased sales by some 70%, says Tom Houston, manager-pr for Chrysler's Dodge division in Detroit. He believes the day is near when auto makers will use regional marketing efforts to concentrate on specific metropolitan areas or even specific sections of those areas.

Car marketers also are looking to regional campaigns as test runs for national ads, although it is more likely that a successful regional campaign would be transplanted to another region.

However, Chrysler's "Over There" campaign, in which the Chrysler LeBaron GTS outperformed BMW, Mercedes-Benz and Audi, went over so well in California that the company adopted it nationwide, says Joe Tetherow, manager-pr for the western division of Chrysler.

Another campaign, an upbeat commercial featuring quick cuts of cars and California scenes in which Chrysler chairman Lee Iacocca makes a cameo appearance, aired successfully first in California before going national.

But regional marketing is not without its hurdles. National sales trends become meaningless as better regional breakdowns are emphasized.

Regional marketing also requires good, open communications to assure consistency of the over-all message.

"Any time you have a number of people trying to sell the same thing and they're going in different directions, it's not going to work," Mr. Davis says. "They all have to point in the same direction. Otherwise you end up with some sort of Tower of Babel and nobody knows where it is going."

In addition, regional marketing can mean extra work in implementing media buys as well as higher production costs. "Instead of making one commercial, you're making three or four, so there are cost implications," Mr. Davis says.

But so far, these haven't deterred auto marketers from initiating regional marketing plans. "It doesn't happen overnight," says Richard Hill, vp-national account group services for McCann-Erickson, Buick's agency. "But a lot of marketers—auto and others—have adopted regional strategies. I think it's here to stay."

# Subaru drives into new niches

By Jesse Snyder

Subaru of America always has been as unconventional as its name. The only U.S.-owned, publicly traded marketer of Japanese cars, Subaru grew up selling odd-looking four-wheel-drive cars to outdoorsmen, farmers and "granola-crunching, earth shoe wearers" in rural areas other importers ignored. Even its advertising was low key.

That's why the announcement that Isuzu Motors and vehicle supplier Fuji Heavy Industries Ltd., Tokyo, which owns 49% of Subaru, would build a joint-venture assembly plant in the U.S. was big news.

***The auto marketer has grown large enough to be affected by competition and international trade issues.***

It is perhaps the first acknowledgment that Subaru has grown large enough to be affected by encroaching competition and international trade issues. And the push for higher sales volume will call for even greater company dependence on strategy-minded agency Levine, Huntley, Schmidt & Beaver, New York.

The plant arrangement is unusual, the only such combination between Japanese auto manufacturers. While joint-venture auto plants are increasingly common in the U.S. and Europe, most agreements are between auto marketers based on different continents.

The Fuji-Isuzu pact also is unprecedented because it links companies aligned with rival Japanese automotive groups. Fuji is considered part of the Nissan group and Isuzu is partially owned by General Motors.

(Continued on Page S-34)

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# Subaru drives into niches

*(Continued from Page S-33)*

No site has been selected yet, but the new plant will be designed so it can be expanded as needed. Initially, plans call for producing 60,000 Subaru cars and 60,000 Isuzu trucks annually by 1989. The factory will be 51% owned by Fuji, giving Subaru's minority partner control of the timetable for adding capacity.

Top-selling wagons and sedans will be assembled in the U.S., while vehicles for smaller or new market niches will be built in Japan, where Fuji can boost sales by offering the model in the Japanese home market or exporting elsewhere.

Since informal but binding quotas were imposed by the Japanese Ministry of International Trade four years ago, Subaru's biggest concern has been inventory. "Our problem is getting more cars," says Thomas Gibson, president and chief executive officer of the Pennsauken, N.J.-based company. Company executives once considered import restrictions a short-term phenomenom, but the U.S. plant is a tacit acknowledgment that import limitations will be maintained into the 1990s.

While waiting for the new factory, Subaru sales are hovering at slightly more than 150,000 cars a year. The company is trying to build a retail network capable of selling 250,000 to 300,000 units annually, Mr. Gibson says.

In addition to Subaru's established product lineup, the dealer network will be selling cars aimed at new market segments. One niche is the emerging minicar segment, two or four-seat cars with wheelbases of less than 90 ins. and three or four-cylinder engines as small as one liter.

> ***Subaru is trying to build a retail network capable of selling 250,000 to 300,000 units annually.***

Subaru's contribution to the minicar market is the Justy, a car similar to the Fuji-built model already sold in Japan, but with a larger, 1.2-liter engine. Scheduled to be introduced in early 1987, it is likely to be priced less than $5,000, Mr. Gibson says.

"It's a [market] that will grow," he says. "We'll be in early with the best value." On-demand four-wheel drive will be offered eventually.

The Justy would be the first major departure from Subaru's one-platform-fits-all approach, with wagons, sedans, hatchbacks and even the new XT sport coupe built on essentially the same front-drive chassis and drivetrain.

But Subaru's Justy strategy of seeking dominance in an emerging market segment is very much in company tradition. Subaru pioneered the use of four-wheel drive in passenger cars, and the company's spring 1985 introduction of the XT coupe marked the first appearance of an Italian-designed, Japanese-manufactured sports car. This strategy has paid for Subaru, which was a relative latecomer when it first began selling cars in the 1969 model year.

Since then, Subaru has increased sales to 178,000 units in 1985, good for a 1.6% share of the total U.S. car market and sixth place among all importers. Those figures place Subaru behind Toyota, Nissan, Honda, Mazda and Volkswagen in total units, but ahead of such importers as Volvo, Mercedes-Benz, BMW, Audi and Saab.

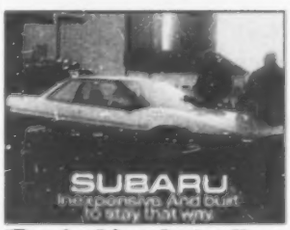
The elements that comprise the Subaru strategy are relatively simple in concept but difficult to execute and balance. In addition to niche marketing, the company wants to establish a strong dealer network and a reputation for customer satisfaction —and to promote it all with strategic advertising.

Finding good dealers and satisfying customers are closely linked goals—and in that way, Subaru found its late entry into the U.S. a blessing. The company says it has been able to be more selective, taking on experienced car dealers who are better funded, more professional and firm believers in advertising and personnel training.

Subaru entered the U.S. in rural markets, but in moving to urban points in the 1980s has upgraded its entire dealer network. Mr. Gibson says larger, better-trained and better-stocked dealerships with intense factory support are a direct reason Subaru is ranked second only to Mercedes-Benz in the Customer Satisfaction Index published annually by consultant J.D. Power & Associates, Westlake Village, Cal.

Another element in the overall strategy is picking the right niches, ones that play to a company's strengths. A niche must not be large enough to attract formidable competition, but it must be profitable and stable or growing.

In its first 15 years, Subaru's main niche has been four-wheel drive passenger cars, which skirted the main strengths of American Motors Corp.'s Jeep trucks and sports utility vehicles such as Ford Bronco and Chevrolet Blazer. With increased interest in four-wheel drive has come new competition: Smaller four-wheel drive utility vehicles including Ford Bronco II, Chevy S-10 Blazer and Jeep Cherokee; four-wheel drive import station wagons such as Honda Civic, Toyota Tercel and Dodge Colt Vista; four-wheel drive versions of domestic cars such as Ford Tempo, plus performance-oriented fulltime four-wheel drive models like Audi 4000S and 5000CSI Quattro.




**"Farmboy" from Levine, Huntley connected Subaru's new sports car with its old image.**

But Subaru executives say they welcome the competition.

"We are delighted, ecstatic, that others are adding four-wheel drive," says David Sippel, director-corporate communications, which includes advertising, merchandising and research. "Before, we were alone . . . in pioneering passenger car four-wheel drive. This reinforces the idea we were right."

"The Quattros and Tercels helped broaden our market," says Chris Wackman, national ad manager. "They'll all help with the educational process."

He says that process depends on the close relationship between Subaru marketing executives and Levine, Huntley. Mr. Sippel, who previously worked for the Lincoln-Mercury division of Ford Motor Co., calls the closeness "a very refreshing change."

Levine, Huntley is involved in strategy sessions and advanced planning, from president Robert Schmidt on down, he says. "It's almost like having another department in the company."

As Subaru moved upscale and adopted a more urban focus, magazine ads began using four-color more often and finally went to all four-color for the 1986 model year.

A complementary emphasis on tv buys gives Levine, Huntley a chance to do what Mr. Sippel says the agency does especially well: Storytelling.

It is not easy to tell, in 30 seconds, the story of how a company shifted gears from a back-country four-wheel drive station wagon to an Italian-styled sports coupe like the Subaru XT. Levine, Huntley, however, helped create a connection with the 1985 Clio-winning "Farmboy."

In the spot, a young man asks his farmer father what kind of car to buy. Pointing to the rusty family Subaru, the father praises the company's reliability, durability and utility. When his son returns in the racy XT, the farmer says impatiently, "I thought you were going to buy a Subaru." The son's answer: "But Dad, I did."

The spot ends with Subaru's tag line, "Inexpensive. And built to stay that way."

" 'Farmboy' captures the essence of where Subaru is going," Mr. Wackman says.

It also helped capture the attention of dealers. In the past 15 months, Levine, Huntley has landed three major Subaru dealer accounts, billing a combined $9 million to $10 million. That gives the agency eight of the 13 distributorships as well as the national account worth $28 million to $30 million in 1985, up 12% from 1984.

Levine, Huntley also prepared the "You always hurt the one you love" tv spot, which was voted one of Advertising Age's 15 best tv commercials for 1985. The spot features Subaru owners abusing their vehicles by overstuffing trunks, slamming doors and banging into garbage cans.

The upscaled ads, new U.S. factory and additional models are evidence that Subaru is a growing force in U.S. auto sales —and seems built to stay that way.

FCD: The Hour (Norwalk), The Bridgeport Post, Southern Connecticut Newspapers (Greenwich Time & Stamford Advocate)

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one order / one bill / at a discount

# Honda accelerates into luxury sales with Acura

By Cleveland Horton

"It was only a matter of time," American Honda Motor Co.'s marketers said. They may be right.

The second largest Japanese car importer and the fourth largest U.S. automobile manufacturer introduced its upscale Acura division in late March with the above theme. Although Honda established a beachhead in the U.S. by underselling Detroit and building an image for reliable, well-built and economical cars, it now has its sights set on the emerging market for higher-price, often European-built automobiles.

**"A matter of time" showed the business community's reaction to the new Acura division.**

Honda hopes to capitalize on the growth of the U.S. market for luxury cars, which is expected to grow to 2.8 million cars, or 25% of the 11 million cars sold in the U.S., by 1990.

Judging from the initial figures, Acura is well on its way to its first-year sales goal of 58,000 automobiles. Within five weeks, the division had sold almost 5,000 cars—1,992 copies of its $20,000 Legend luxury sedan and 2,773 units of its $10,000 Integra sports coupes.

The figures, however, may be deceptive. As with any all-new models, the first sales are the easiest. Enthusiasts, learning about the new division long before the dealers open their doors, flock to the showrooms on the official starting date. This pentup demand assures early strong sales, which aren't necessarily an indication of the long-term strength of the line.

The true test of consumer demand for the Acura line, and the division's ability to promote it," will come in the next few months.

Working against it will be the traditional summer car-sales doldrums when consumers anticipate the traditional fall rollouts of the new model year. Industry analysts, pointing to the number of new domestic and foreign entries in the U.S. market, expect this fall to be one of the noisiest car marketing seasons in history.

In anticipation of the upcoming marketing battle, Honda chose to establish the Acura line as separate from the Honda marque.

The new line is sold only by separate Acura dealers. The division officially began selling cars at the end of March through 50 dealers, but it is adding about 10 dealers a month to the network. Existing Honda dealers weren't assured of winning an Acura dealership, a fact that rankled some dealers who, after as many as 25 years of service to Honda, felt betrayed.

American Honda selected some current Honda dealers as well as highly productive dealers of other makes to set up the Acura network. Industry observers say many Honda dealers, operating in a seller's market, fail to actively market the Honda line. By starting a second network, the company says it hopes to infuse a new sales spirit in both the Honda and Acura dealers.

Although Honda's decision to establish a separate division for the Acura line is unusual, it is typical of the Japanese importers' efforts to bring in higher priced cars. Operating under the federal Voluntary Restraint Agreement, which limits the number of cars that can be imported to the U.S., the importers need to bring in cars with higher sticker prices to continue to boost U.S. sales. All the Japanese importers have focused on the higher ends of their lines, while paring back on the stripped-down models.

However, unlike the other Japanese manufacturers, Honda is using its U.S. production ca-

*(Continued on Page S-36)*


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# Accelerates into luxury

(Continued from Page S-35)
pacity to a distinct advantage. By using its factory in Marysville, O., to produce smaller models, Honda is able to import Acuras without reducing the number of cars it sells in the U.S.

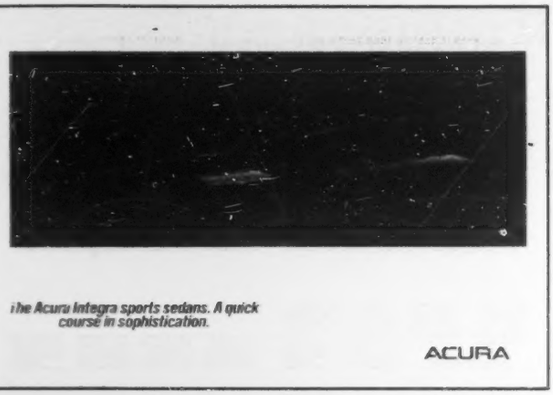
Honda will continue to emphasize price, economy and reliability for its Civics, Accords and Preludes on the Honda side. For the Acura line, however, the emphasis will be on performance and luxury.

Honda's initial Acura advertising hammered home the theme of "precision-crafted automobiles" from "a new division of American Honda." Ketchum Advertising, Los Angeles, handles the Acura account, which, it is estimated, will bill as much as $20 million this year.

The account is handled separately from American Honda, which remains at Rubin, Postaer & Associates, Los Angeles. In 1985, Honda's measured media spending totaled $96.9 million, according to Leading National Advertisers.

But a few question marks, not entirely anticipated by Honda management, remain in the generally successful Acura launch. While the Legend easily is positioned within Honda's U.S. lineup as the highest priced and most luxurious automobile, the Integra's positioning and image is floundering.

The target market for the Legend is easily defined. Honda says it isn't interested in conquest sales, or convincing a Porsche or BMW owner to give up that marque in favor of an Acura. Rather, Honda is attempting to create intercept sales--to attract the customer about to trade up to those European models to at least consider the Legend.




**The Integra sports sedan faces a tougher marketing job than the Acura Legend.**

The Integra is a different story. By price, the base Integra comes in at $9,448, above the Civic's top end but below some models of the Accord and Prelude. Likewise, the U.S. consumer is well aware of the concept of the "luxury sedan," but may have a harder time understanding what Acura means when it describes the Integra as a "sport sedan."

Although traffic in the new Acura dealerships is reportedly brisk, few people come in asking to see an Integra. "Right now, the Integra is being dragged along by the Legend," says Craig Mathiesen, general manager of Ketchum's Los Angeles office.

He says the agency is creating more product-oriented advertising to help develop the category.

A good indication of the level of consumer acceptance of the Acura models is the price these cars command, as opposed to the manufacturer's suggested retail price.

Like their sister Honda dealers, Acura dealers are packing the Legend with surcharges. However, most dealers are selling the Integra at the factory sticker price or discounts.

The willingness of dealers to deal on the Integra may prove positive in the long run. "The seeds of their initial failure may be the seeds of their future success," one industry observer says.

In many ways, Honda is following in the footsteps of Detroit, adding divisions with distinctly separate characters to reach a larger share of the car-buying consumer. Like General Motors, whose offerings range from entry-level Chevrolets to upscale Cadillacs, Honda is embracing the cradle-to-grave credo and attempting to market automobiles for every life style and pocketbook.

Ask anyone in Detroit, and they'll tell you it was only a matter of time.

Associate editor Julie Liesse Erickson coordinated this report on Automotive Marketing.

**Coming**

Next week ADVERTISING AGE's Special Report will focus on **Florida.**

# Smokeless tobacco volume sales drop

By JOHN C. MAXWELL JR.

Volume sales in the total smokeless tobacco industry dropped about 1% in 1985, a change over previous years when sales showed a slightly upward trend.

The only products that were up were the moist snuff and fine cut. This portion of the industry is pretty well owned by U.S. Tobacco, which grew slightly over one share point over-all within the industry. They managed to maintain their No. 2 position, despite the acquisition of R.J. Reynolds' trademarks by Pinkerton.

In the moist snuff area, U.S. Tobacco shares dropped to 88.8% from 89.3%. A share point was picked up by Conwood, led by its Kodiak product. Nonetheless, U.S. Tobacco's Copenhagen was up some 7%, and Skoal and Skoal Bandits were up somewhat. In the case of Helm, total shares declined slightly but its Redwood product almost tripled in volume.

The market leader, Conwood, was up 1.3 share points. This was the biggest jump of any company, led by increased shares, not only in moist snuff and fine cut, but also a 2 share-point jump in loose leaf. Pinkerton was up only because of the inclusion of the recently acquired RJR names, and all other companies were down in share penetration.

The main concern we see on the horizon is new labeling and taxation. It has been well publicized that the tobacco companies will be excluded from many of the media; they have rotating warning labels and federal taxation.

In addition, quite a few states have decided to add taxes of their own and to try to limit availability of the products to the public. The combination can only be adverse to the consumption trends of this industry, with a particular impact on the moist snuff and fine cut area.

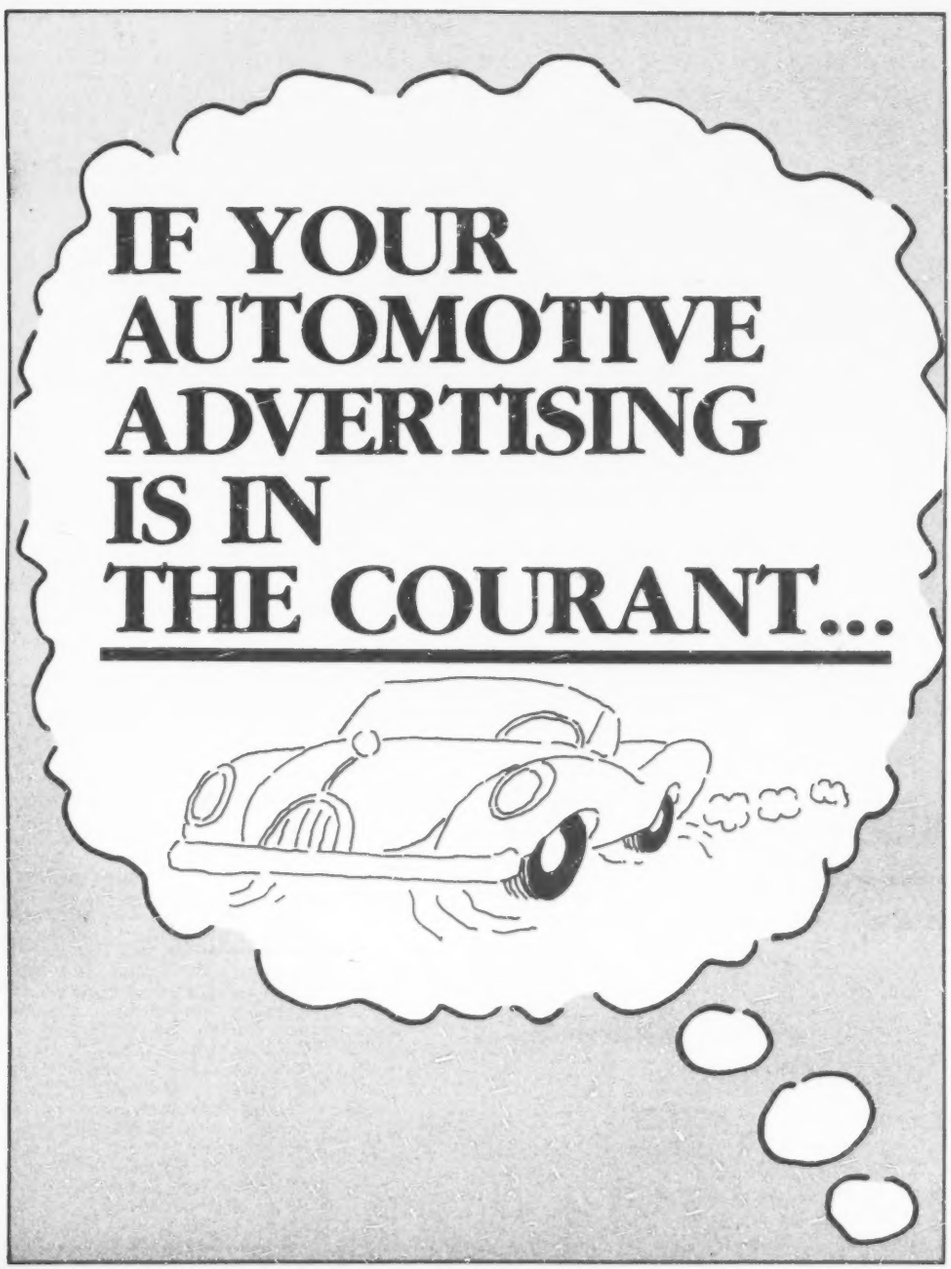
We continue to believe that "sin," in the form of various tobacco and alcohol products, has been singled out by Congress for new excise taxes. Recent discussions in the press on total excise tax increases of $25 billion over five years will necessarily come from these two areas.#

*Mr. Maxwell is with Furman Selz Mager Dietz & Birney, New York.*

## Total smokeless tobacco

**A slight upward trend in the over-all smokeless tobacco market was reversed last year with total volume sales suffering a 1% decline. Labeling restrictions and taxation may pinch consumption even more. *Alfred & Christian & Peterson acquired RJR trademarks in November 1985 and licensed them to Pinkerton. Pound figures are listed in thousands. *Source: John C. Maxwell.***

| Brand | 1983 Lbs. | 1983 Share | 1984 Lbs. | 1984 Share | 1985 Lbs. | 1985 Share |
|---|---|---|---|---|---|---|
| Conwood | 34,608 | 26.2 | 36,990 | 27.4 | 38,429 | 28.7 |
| U.S. Tobacco | 33,070 | 25.0 | 35,341 | 26.2 | 36,457 | 27.3 |
| Pinkerton | 29,070 | 22.0 | 28,690 | 21.3 | 35,169* | 26.3* |
| Lorillard | 11,900 | 9.0 | 11,914 | 8.8 | 11,593 | 8.7 |
| Helm Tobacco | 10,850 | 8.2 | 10,694 | 7.9 | 9,825 | 7.3 |
| R.J. Reynolds | 10,050 | 7.6 | 8,411 | 6.5 | —* | —* |
| Brown & Williamson | 1,858 | 1.4 | 1,790 | 1.3 | 1,594 | 1.2 |
| R.C. Owen | 782 | 0.6 | 767 | 0.6 | 712 | 0.5 |
| Total | 132,205 | 100.0 | 134,921 | 100.0 | 133,739 | 100 |



## Smokeless tobacco sales

**Moist snuff and fine cut were the only segments of the smokeless tobacco industry to chalk up any growth last year. Conway led the surge, paced by its Kodiak brand, but market leader U.S. Tobacco slipped by about half a point in this category—even though Copenhagen brand jumped by 7%. [1]Alfred & Christian & Peterson acquired RJR trademarks in November 1985 and licensed them to Pinkerton. Pound figures in thousands; shares may not total 100 due to rounding. *Source: John C. Maxwell.***

| Company/Brand | 1983 Lbs. | 1983 Share | 1984 Lbs. | 1984 Share | 1985 Lbs. | 1985 Share |
|---|---|---|---|---|---|---|
| ***Plug*** | | | | | | |
| R.J. Reynolds | 6,261 | 65.5 | 5,701 | 65.6 | 5,250 | 65.5 |
| Conwood | 1,910 | 20.0 | 1,660 | 19.5 | 1,611 | 20.0 |
| Brown & Williamson | 1,065 | 11.1 | 1,036 | 11.5 | 898 | 11.2 |
| Pinkerton | 320 | 3.4 | 290 | 3.4 | 260 | 3.3 |
| Total | 9,578 | 100 | 8,687 | 100 | 8,019 | 100 |
| ***Moist plug*** | | | | | | |
| Pinkerton | | | | | | |
| Redman Moist Plug | 1,300 | 30 | 1,200 | 30 | 1,200 | 31 |
| R.J. Gold[1] | 824 | 19 | 518 | 13 | 350 | 9 |
| Conwood | | | | | | |
| Taylors Pride | 1,020 | 23 | 1,070 | 27 | 1,017 | 27 |
| Levi Garrett Plug | 1,210 | 28 | 1,168 | 30 | 1,275 | 33 |
| Total | 4,357 | 100 | 3,956 | 100 | 3,842 | 100 |
| ***Dry snuff*** | | | | | | |
| Conwood | 4,590 | 43.0 | 4,335 | 42.5 | 4,010 | 42 |
| Helm Tobacco | 3,500 | 32.8 | 3,344 | 32.8 | 3,095 | 32.4 |
| U.S. Tobacco | 1,800 | 16.8 | 1,785 | 17.5 | 1,747 | 18.3 |
| Brown & Williamson | 793 | 7.4 | 735 | 7.2 | 696 | 7.3 |
| Total | 10.7 | 100 | 10.2 | 100 | 9.5 | 100 |
| ***Moist snuff and fine cut*** | | | | | | |
| U.S. Tobacco | 31,300 | 89.3 | 33,478 | 89.3 | 34,710 | 88.8 |
| Helm Tobacco | 1,000 | 2.9 | 950 | 2.6 | 910 | 2.3 |
| Conwood | 2,730 | 7.8 | 3,050 | 8.1 | 3,469 | 8.9 |
| Total[2] | 35.0[2] | 100 | 37.5[2] | 100 | 39.1[2] | 100 |
| *[2]Millions of pounds* | | | | | | |
| ***Twist/roll*** | | | | | | |
| Conwood | 918 | 54 | 865 | 53 | 804 | 53 |
| R.C. Owen | 782 | 46 | 767 | 47 | 712 | 47 |
| Total | 1,709 | 100 | 1,632 | 100 | 1,516 | 100 |
| ***Loose leaf*** | | | | | | |
| Pinkerton | | | | | | |
| Redman | 25,100 | 35 | 24,800 | 34 | 22,300 | 31 |
| Work Horse[1] | 2,965 | 4 | 2,193 | 4 | 1,700 | 2 |
| Granger | — | — | — | — | 900 | 1 |
| Total | 30,415 | 43 | 29,393 | 40 | 28,069 | 39 |
| Conwood | | | | | | |
| Scotten, Dillon | 1,100 | 2 | 1,000 | 1 | 900 | 1 |
| Levi Garrett | 18,840 | 27 | 21,669 | 30 | 21,500 | 30 |
| H.B. Scott | 1,390 | 2 | 2,050 | 3 | 2,150 | 3 |
| Red Fox | 900 | 1 | 900 | 1 | 800 | 1 |
| Rough Country | — | — | — | — | 900 | 1 |
| Total | 22,230 | 31 | 25,619 | 35 | 26,250 | 37 |
| Lorillard | | | | | | |
| Beech-Nut | 10,907 | 15 | 11,116 | 15 | 10,957 | 15 |
| Total | 11,929 | 17 | 11,914 | 16 | 11,593 | 16 |
| Helm Tobacco | | | | | | |
| Chattanooga Chew | 2,700 | 4 | 2,550 | 3 | 2,150 | 3 |
| Total | 6,350 | 9 | 6,050 | 8 | 5,820 | 8 |
| Total | 70,924 | 100 | 72,976 | 100 | 71,732 | 100 |

# Kerryn King, Texaco exec, dies

NEW YORK—Kerryn King, 68, retired Texaco senior vp-worldwide marketing, died May 23 at Memorial Sloan-Kettering Hospital after a long illness.

At the time of his death, Mr. King was a senior consultant with Hill & Knowlton, chairman of the Civilian Public Affairs Committee to the U.S. Military Academy at West Point, a director of the Allergy Foundation of America, exec vp of the Eye-Bank for Sight Restoration and an advisory director of the Metropolitan Opera Assn.

In 1979, Mr. King served as president of the Public Relations Society of America. In 1976, *Public Relations News* named him "Public Relations Professional of the Year."

Mr. King also served as a director of the American Petroleum Institute and was the first chairman of its Committee on Public Affairs.

He served on the board of Caltex Petroleum Corp., a 50%-owned affiliate of Texaco, from 1961 to 1963. In 1963, he was appointed head of the company's Latin American operations and in 1965 was named vp-public relations and personnel.

In 1971, Mr. King was elected Texaco's senior vp-worldwide marketing, pr and personnel, and head of public affairs in 1972.#

# U.S. shops storm Cannes

By CLAIRE WILSON

PARIS—Perhaps encouraged by having taken the top Grand Prix award two years in a row, Americans are entering a record number of candidates in next week's International Advertising Awards Film Festival at Cannes.

U.S. commercials entered at the festival are up 25% from last year, for a total of 578 spots from U.S. agencies and other U.S. sources this year.

Terry Laughren, president and managing partner of Screenvision, the U.S. member of the Screen Advertising World Assn., which organizes the Cannes festival each year, said last year's Grand Prix winner (BBDO's "Archeology" spot for PepsiCo) and the previous year's (Chiat/Day's "1984" spot for Apple Computer) are probably the strongest factors encouraging Americans to enter. The Grand Prix is the top award given for excellence in tv and cinema advertising at the festival.

"Everybody likes to win, and when they saw 'Archeology' they probably said, 'Wait a minute, we did work that was better than that' and decided to give it a shot," said Mr. Laughren. "Americans are on a roll, they're winning the prizes."

The American shops' chief rivals, British agencies, also increased their entries, from 394 last year to 437 this year.

Japanese entries jumped from 174 last year to 217 for next week's festival.

Last year, however, British agencies copped the most total prizes in Gold, Silver and Bronze categories, unlike the previous year, when U.S. agencies led in total awards. U.S. agencies won two Gold Lions, the most coveted award next to the Grand Prix, in 1985, compared with 10 for British shops.

On another front, organizers say fears of terrorism have not dampened enthusiasm for the festival. "There were a lot of Americans saying they would not be attending this year because of all that. But those were the ones who never came anyway," Mr. Laughren said.#

## Gold Lion winners at Cannes

The Gold Lion award is given for excellence in tv and cinema advertising. *Grand Prix winner (award not given in 1980). Source: *Screenvision/SAWA*

| Country | '80 | '81 | '82 | '83 | '84 | '85 | Total |
|---|---|---|---|---|---|---|---|
| Great Britain | 3 | 7* | 5 | 4 | 7 | 10 | 36 |
| United States | 5 | 1 | 0 | 2 | 7* | 2* | 17 |
| Brazil | 0 | 3 | 4 | 4 | 1 | 1 | 13 |
| France | 0 | 1 | 3 | 0* | 4 | 1 | 9 |
| West Germany | 0 | 2 | 1 | 1 | 0 | 0 | 4 |
| Japan | 0 | 1 | 0* | 2 | 1 | 3 | 7 |
| Australia | 1 | 0 | 2 | 1 | 1 | 0 | 5 |

# G&R to handle Range Rover intro

By LISA E. PHILLIPS

NEW YORK—Range Rover of North America is preparing to steer its $30,000 high-performance, four-wheel-drive luxury import into the U.S. next March as the first client of 4-month-old Grace & Rothschild.

The assignment of the expensive vehicle officially launches the shop here formed by Roy Grace and Diane Rothschild, who resigned as Doyle Dane Bernbach's creative chief and exec vp-creative director, respectively (AA, Feb. 3, *et seq.*).

The Lanham, Md.-based U.S. subsidiary of Land Rover-Leyland International Holdings, London, has not completed its ad budget, but its goal is to sell 3,000 Range Rovers in 1987.

Its closest competitor, American-made AMC/Jeep Wagoneer, was backed by $4 million in measured media last year.

Range Rover chose G&R after creative presentations by three finalists, narrowed from a field of 12. Charles Hughes, president, Range Rover of North America, declined to identify the other contenders, but said, "It was a tough choice. In spite of the megamergers going on, there's still a lot of character and individualism out there."

Creative was the final criterion, he said, and G&R "had the best creative. We all parted with a great deal of respect" for the other contenders, he added.

How could G&R hold out for four months before landing its first account? "We ate a lot before February," joked Mr. Grace, who is G&R's chairman. "Actually, we're well capitalized, and have enough financial backing to keep going," he said, until the Range Rover account begins billing next year or until another account is won. He declined to say whether the agency is pitching any other accounts.

The $30,000-range price tag for Range Rover makes it the highest-price four-wheel-drive vehicle in the U.S., easily topping the AMC/Jeep Grand Wagoneer's fully loaded $25,000 price tag.#

# USFL scores fall syndication deal

By ROBERT RAISSMAN

NEW YORK—The U.S. Football League has struck a deal beginning Sept. 25 to syndicate 13 live, prime time Thursday games of the week.

The move could have implications for its $1.32 billion antitrust suit against the National Football League, because the USFL is arguing in court that the NFL tv contracts with the Big 3 networks have denied the USFL access to network tv. Most observers contend that the USFL is really seeking a merger with the NFL, and that if it loses its antitrust suit, it will simply fold.

Dom Camera, director of marketing for the USFL, said league executives considered the impact that syndication might have on its antitrust suit but decided to go ahead.

Mizlou Television Network will handle station clearances and production. ProServ, the Washington-based sports marketing agency that represents the USFL, will handle advertising sales. The package, which will not affect the USFL's cable contract with ESPN, is a straight barter deal, with stations paying nothing for the games and the USFL retaining 50% of the commercial inventory for national sale.

But few national advertisers will go into a syndicated property with less than 60% clearance of U.S. tv households, and that could be a problem. There are only eight franchises remaining in the league, with only New Jersey among the top 10 markets.

David Bagliebter, senior vp, ProServ, conceded it will be difficult to clear the league games in the required 60% of the U.S. He added that the USFL expects to make as much as $4 million in profits from the broadcasts, but that expectation appears optimistic.

There are other potential problems in the plan. The USFL, which started as a spring football league, is now going to play during the heaviest tv sports months, competing against NFL and college-football coverage, the final weeks of Major League Baseball coverage and the start of pro and college basketball and hockey. The tv sports marketplace has been extremely weak for the past few years, and the USFL inventory will only soften the market more.

National advertising is expected to be offered at cost-per-thousand rates considerably below network and other syndicated programing cpms. Mr. Bagliebter said advertisers were "sitting back" and waiting to see the outcome of the trial. Written presentations will be in the hands of advertisers within 10 days, he said. "We will time our selling so it will coincide with a time when the trial is coming to a conclusion," he said.#

# NBC

(Continued from Page 4)

company to buy the adjoining 15.

But Mr. Mapes said he is not convinced stand-alone 15s are the future of advertising. When the networks relaxed their standards to accept 30-second spots, split-60s totaled 80% of the business, he said. At present, split-30s account for only about 10% of NBC's volume.

The 207 NBC affiliates attending the meeting were buoyed by General Electric Co.'s $6.4 billion purchase of RCA Corp., NBC's parent, and by NBC Entertainment president Brandon Tartikoff's multiyear contract extension.

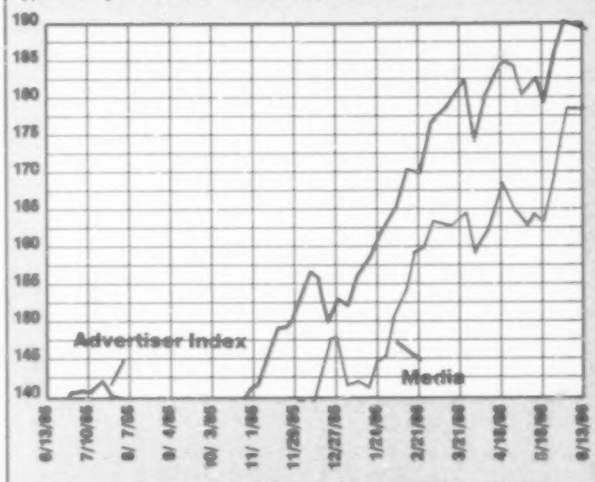
Fairfield, Conn.-based GE concluded its purchase of RCA about the same time NBC exec vp Ray Timothy opened the affiliate session June 9.

"GE gives the network the resources to do things no one else can. CBS is in a bind. ABC is cutting back. That leaves NBC to just go up and up," said C.E. (Pep) Cooney, president-general manager of affiliate KPNX-TV, Phoenix. "Making sure Brandon Tartikoff will stay also ends any concern about GE changing things."#

## Advertiser/media results

### AD AGE STOCK INDEXES

The AA indexes are based on calculations involving the stock prices of the publicly held companies in the AA list of 100 Leading National Advertisers (AA, Sept. 14) and the 100 Leading Media Companies (AA, June 28). The base of 100 was set as the composite for both stock groups as of July 1, 1983. The figures for the weekly stock reports are provided by MPACT Securities, Austin, Texas.




### GAINERS & LOSERS

| | 6/13 | 6/ 6 | % change | | 6/13 | 6/ 6 | % change |
|---|---|---|---|---|---|---|---|
| **Advertisers** | | | | | | | |
| 1. Hasbro | 56¼ | 50⅛ | 12.2 | 1. AMR | 52 | 54⅝ | −5.0 |
| 2. Honda | 71⅜ | 68⅛ | 4.4 | 2. UAL | 53⅜ | 56⅛ | −4.9 |
| 3. Time | 87½ | 84 | 4.2 | 3. DeltaAr | 41¾ | 43⅞ | −4.9 |
| 4. Pfizer | 66¼ | 63⅞ | 3.7 | 4. ChesPn | 49⅝ | 52¼ | −4.8 |
| 5. Greyh | 34⅞ | 33⅞ | 2.9 | 5. AppleCmp | 36¼ | 38 | −4.8 |
| **Media Companies** | | | | | | | |
| 1. RogersCbl | 17⅝ | 16⅝ | 5.9 | 1. DowJn | 55⅛ | 57⅝ | −3.9 |
| 2. UCbTV | 31⅞ | 30⅛ | 5.8 | 2. HarBrJ | 97½ | 101⅛ | −3.8 |
| 3. Time | 87⅛ | 84 | 4.3 | 3. Pittway | 101⅛ | 104½ | −3.2 |
| 4. Playboy | 7⅛ | 6⅞ | 3.6 | 4. TurnB | 26⅝ | 27½ | −3.2 |
| 5. BelcAH | 55¼ | 53½ | 3.3 | 5. SFN | 7⅛ | 8 | −3.1 |

## Agencies' stock performance

| Agency | 6/13 | Price 6/ 6 | P/E | Change $ | Change % | 52-week High | 52-week Low |
|---|---|---|---|---|---|---|---|
| Ally | 11¼ | 11¼ | 10 | 0 | 0.0 | 14½ | 7⅛ |
| BBDO | 30½ | 30¾ | 19 | −¼ | −0.8 | 35¼ | 23¾ |
| DDB | 24 | 24 | 23 | 0 | 0.0 | 28½ | 18⅛ |
| FCB | 62 | 62½ | 15 | −½ | −0.8 | 67½ | 45¼ |
| Grey | 115 | 115 | 16 | 0 | 0.0 | 125 | 94½ |
| Interpublic | 58½ | 59 | 17 | −½ | −0.8 | 60¾ | 42 |
| JWT | 38 | 36⅝ | 17 | 1⅜ | 3.8 | 41½ | 30 |
| Lorimar | 29⅜ | 28¼ | 30 | 1⅛ | 4.0 | 31¾ | 22½ |
| Mickelberry | 5¾ | 6 | NM | −¼ | −4.2 | 6¼ | 3½ |
| O&M | 34½ | 34¼ | 16 | ¼ | 0.7 | 42 | 28⅞ |
| Saatchi | 35⅝ | 35⅝ | 17 | 0 | 0.0 | 44½ | 32⅞ |

The ADVERTISING AGE stock index for advertisers slipped lower by 0.27% to 189.8 for the week ended June 13. The media index dipped 0.17% to 177.5. The Dow Jones Industrial Average also ended the week lower, down 0.49%.

# Honda, Greyhound up, but airlines on slide

NEW YORK—Among advertisers, **Honda's** rise follows sharply higher early June car sales of 3,135, vs. 1,845 a year ago. **Pfizer** gained among a strong drug group. **Greyhound's** rise follows management's authorization to buy back another 2 million shares, or 4.3% of its outstanding stock. Airlines continued their decline, as the chairman of **AMR**, parent of American, told analysts that yields for his company and, by extension, the industry continue to fall short of expectations, and the summer traffic surge many observers expect doesn't seem to be developing.

Among media, "all cable stocks recently went up [because] of the home-shopping craze," said Steve Rosenberg, an analyst with Paul Kagan & Associates, Carmel, Cal. "What Wall Street is realizing is that if there is a business in home shopping, then the cable systems will benefit." Two of last week's gainers, **Rogers Cablesystems** and **United Cable Television**, are potential partners in new home-shopping networks. **Playboy Enterprises** rose following some weeks of declines, while **Turner Broadcasting** declined following gains the previous week when it sold off assets of MGM/UA Entertainment Co.

Among agencies, **JWT Group** rebounded from the previous week's decline that is now being called an overreaction to word it is acquiring Gray & Co.#

*Written by Stuart J. Elliott from New York staff reports.*

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C27/0-1

Monday, June 23, 1986

# Advertising Age

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

## Shell tunes up for Fourth

Stealing a beat on the Fourth of July weekend, Shell Oil Co. breaks a four-day multimedia "Get ready America" campaign June 26 as part of a $5 million cola-giveaway for SU 2000 super unleaded gasoline. Ogilvy & Mather Southwest handles.

# Ad Council vetoes 4A's solo drug fight

By STEWART ALTER

NEW YORK—The American Assn. of Advertising Agencies, which planned to bypass the Advertising Council and spearhead its own three-year, $1.5 billion public service campaign against drug use, appears ready to capitulate to behind-the-scenes pressure by advertisers who want to involve the Ad Council.

Plans are being developed for the campaign, which will seek an unprecedented $500 million a year in free media time and space (including prime time network tv, which is unusual for public service efforts), to be managed by a newly formed group tentatively called the Media Advertising Partnership for a Drug Free America.

That 11-member group reportedly will consist of three members of the Four A's plus Four A's consultant Richard O'Reilly, three Ad Council members and two members each from the Assn. of National Advertisers and the American Advertising Federation.

The antidrug effort, scheduled to start in September, was first announced at the recent Four A's annual meeting (AA, May 12), to the surprise of the Ad Council, which had no indication it was going to face such a major rival in asking for donations of media time and space for public service.

The Ad Council, whose 83-member board is made up of advertiser, ad agency and media executives, is the industry's main coordinator of public service ad campaigns. Its campaigns currently use the equivalent of $800 million in donated media a year.

The council's own antidrug campaign has garnered the equivalent of $99 million in free media from late 1983 through 1985. A recent anticocaine segment of the campaign has had free time donated on prime time network tv.

The Ad Council was informed that the Four A's was planning some antidrug effort "over a year ago," said council president Bob Keim. He said the Ad Council also got calls from the Four A's asking about how it distributes materials.

But the Ad Council was never told the dimensions of the campaign being planned by the Four A's, Mr. Keim said, noting that it was not brought formally to the Ad Council board.

Asked about Ad Council reac-

(Continued on Page 84)

# New account-shift wave hits megashops

An Advertising Age roundup

Continuing fallout from agency megamergers contributed to at least $85 million in account shifts last week, and that easily could climb to as much as $200 million.

These billing shifts follow on the heels of the $300 million in business already changing hands because the new combinations of huge shops have run afoul of client conflict policies.

The latest round of moves:

- Procter & Gamble's reassignment of the $30 million European Oil of Olay business to Saatchi & Saatchi Compton Worldwide from Young & Rubicam, just two weeks after denying Saatchi the U.S. portion of the Olay account. That had been seen by some as a reprimand for Saatchi's acquisition of Ted Bates Worldwide, which at the time was a major Colgate-Palmolive agency.
- IBM Corp.'s dismissal of Doyle Dane Bernbach, Leber Katz Partners and Geer, DuBois.
- Tri-Honda Auto Dealers Assn.'s $6 million shift to Korey, Kay & Partners from Needham Harper Worldwide.
- Warner-Lambert's reported plan to move some business out of Ted Bates Advertising/New York because of conflicts at DFS Dorland Worldwide, also a Saatchi shop.

Also last week, Mars Inc. pulled a new cat food, Sheba, from Bates overseas because its acquisition by Saatchi created a conflict with Carnation Co. Saatchi & Saatchi handles Carnation pet foods in France, Belgium, Austria, Germany and Sweden. Sheba cat food is sold in those countries.

The decision seems to show that Mars is taking a strict global look at Saatchi. A Mars spokesman in London said the company made its decision about Sheba "after a review of the worldwide Saatchi & Saatchi client list, but discussions are still pending."

Mars has reassigned the new product to Grey Advertising in Japan and Australia, and will assign Sheba in other countries to its existing stable of shops.

It was earlier reported that Bates' relationship with Mars had come "under study" (AA, June 9) because of the Saatchi deal.

In the U.S., Grey also picked up the $20 million creative assignment for Detroit-based Stroh Brewery's Old Milwaukee brand, which had been resigned by BBDO after it agreed to combine with Doyle Dane Bernbach and Needham Harper Worldwide. Needham is an Anheuser-Busch agency. Other finalists for Old Milwaukee were Lowe Marschalk; McCann-Erickson; Jordan, Case, Taylor & McGrath, and N W Ayer. The media-buying assignment on the entire $80 million Stroh account, still unassigned, is ex-

(Continued on Page 80)

## Last Minute News

### Riney plans expansion to New York

SAN FRANCISCO—Hal Riney & Partners, which expanded into Chicago earlier this year, is likely to open in New York by yearend, possibly through a merger or acquisition, says Ogilvy Group vice-chairman James Benson. He denied absolutely reports that Riney was involved in merger talks with Chiat/Day or any other agency. Riney was spun off from Ogilvy, which retained a 40% stake. Neither Riney nor Chiat principals were available for comment.

### FTC opposes cola giants' acquisitions

WASHINGTON—The Federal Trade Commission on July 20 turned thumbs down on the proposed acquisitions by Coca-Cola Co. of Dr Pepper Co. and PepsiCo of Seven-Up Co. brands. The FTC voted unanimously to ask a federal district court this week to enjoin the cola giants from proceeding with the deals. It said the acquisitions would reduce competition in the distribution and sale of carbonated soft drinks in the U.S. Also July 20,

(Continued on Page 8)

# RJR will fight FTC complaint

By STEVEN W. COLFORD

WASHINGTON—R.J. Reynolds Tobacco Co.'s decision to fight a Federal Trade Commission complaint challenging one of its 1985 "issue" ads could lead advertisers to a clearer definition of the differences between commercial and free speech.

Commercial speech is subject to government regulation, while free speech, even for corporations, is more completely protected by the First Amendment.

In its complaint, the FTC contends Reynolds overstepped the protected boundary by misrepresenting the results of a govern-

(Continued on Page 80)

# Rehnquist cool to ad rights

By STEVEN W. COLFORD

WASHINGTON—William Rehnquist's nomination as Chief Justice may represent the end of an era for advertisers who welcomed expanded First Amendment protections from Supreme Court decisions of the 1970s and '80s.

Despite his personal disdain for lawyer advertising, retiring Chief Justice Warren Burger was generally sympathetic to fundamental advertiser arguments that commercial speech is entitled to many of the same constitutional rights as free speech.

But Justice Rehnquist, with one exception, always has voted on the other side, according to several court watchers.

He, in effect, voted against expanding the First Amendment rights of advertisers in the landmark advertising cases of *Central Hudson Gas & Electric Corp. v. Public Service Commission* (1980), *Bolger v. Youngs Drug Products Corp.* (1983) and *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council* (1976).

How that record would manifest itself in a true ad ban case is open to speculation. But William Rogal, general counsel to the American Advertising Federation, says, "Mr. Rehnquist never met an ad ban or

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NEWSPAPER
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SRI ACQUISITIONS
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# HIGHLIGHTS


### RJR takes free speech stand 1
R.J. Reynolds Tobacco Co.'s decision to fight a Federal Trade Commission complaint challenging one of its 1985 "issue" ads could lead advertisers to a clearer definition of the differences between commercial and free speech.

### Court may get tough on ads 1
William Rehnquist's nomination as Chief Justice may represent the end of an era for advertisers. Retiring Chief Justice Warren Burger was generally sympathetic to advertiser arguments that commercial speech is entitled to many of the same constitutional rights as free speech.

### U.S. shops' Cannes outlook 3
The high hopes that a record number of Americans are carrying to Cannes this week for the International Advertising Awards Film Festival may be dashed. The consensus of creative advertising people worldwide is that chances of U.S. agencies walking off with the top Grand Prix award, or even a handful of Gold Lions, are slim.

### AAF sounds alarm 4
The outgoing chairman of the American Advertising Federation last week called on the organization to strengthen its lobbying in light of several congressional moves to restrict or ban advertising of certain products.

### High hopes for Brooke 30
When Carter-Wallace signed Brooke Shields to endorse Arrid antiperspirant, the company hoped to freshen its successful but tired "Get a little closer" theme.

### Aluminum, Alzheimer's linked? 58
Aluminum, the earth's third-most-abundant element, found in a variety of foods and even water, is under scrutiny as part of intensive scientific investigation into the cause of Alzheimer's disease, the most common form of dementia.

### Ford keeps on truckin' 67
The newest sports car from Ford Motor Co. isn't a car at all. It's a truck.

### Burnett: No urge to merge 77
Leo Burnett Co. president-ceo John Kinsella last week reiterated his company's aversion to mergers while voicing concern over the perception that "unmerged" agencies are less able to compete for business.


## CORPORATE CLOSEUP


### Quaker has a plan 6
Quaker Oats Co.'s proposed acquisition of Golden Grain Macaroni and Gaines Foods is another phase of the "buy or be bought" strategy that has fueled the company's recent success. Both proposed deals are in line with chairman-ceo William Smithburg's corporate growth plan of buying small, independent companies and building their brands with bigger marketing budgets and expanded distribution.


## FEATURES


### Love & marriage & ads 34
When Purex Industries hired Carlson, Liebowitz & Olshever as its ad agency in 1979, the event was a triumph for Bonnie Baruch, the account

supervisor who figured prominently in the pitch. But she couldn't fully revel in the fruits of her victory: The win came at the expense of Chiat/Day, the agency where her husband, Hank Antosz, is media director. Such are the considerations of married couples who work in the advertising industry. While there are no firm data on the number of couples in the field, it's becoming more common as women flood the formerly male-dominated business.

### Star Gazit 36
Doron Gazit has created enormous balloon sculptures for the Olympics, the movies and the new Jacob Javits Convention Center in Manhattan. He is considered an engineer, an artist and a creative light. But perhaps only in the deserts of his native Israel is he considered a god.


## INTERNATIONAL


### Omnicom eyes Japan 50
A move by the new holding company of BBDO Worldwide, Needham Harper Worldwide and Doyle Dane Bernbach to create a powerful new agency group in Japan may be a long way off. Executives of the new Omnicom Group holding company hope to set the stage for a new competitor to Dentsu by fostering cooperation between the agencies' Japanese partners and affiliates.

### Sara Lee broadens horizons 51
Kitchens of Sara Lee, a division of Sara Lee Corp., is expanding its product lines and distribution in Asia and Western Europe. The pastry marketer signaled its plans to expand internationally last year when it promoted Tom MacLeod Jr. to president and ceo of Kitchens of Sara Lee Worldwide.


## OTHER NEWS

The $2.8 billion disposable-diaper market, now dominated by Procter & Gamble and Kimberly-Clark Corp., soon may welcome a new arrival. Weyerhaeuser Co. is on the verge of marketing its own branded premium disposable diapers, priced below those of the two industry giants. Page 12.

The best national campaign and the best regional campaign in the 1986 tv commercial portion of the Clio Awards have something in common: Both used the same production house, Venice, Cal.-based Pytka. Pytka emerged as the top U.S. tv prize-taker at this year's Clio ceremonies. Page 25.

Levine, Huntley, Schmidt & Beaver emerged from the New York Festivals award competitions with the most prizes, six "gold awards" for print and radio advertising excellence. Page 26.

*Wall Street Journal* vp-marketing Bernard Flanagan was elected 1986-87 chairman of the American Advertising Federation, effective July 1, at the AAF national convention last week. Page 77.

The Advertising Club of New Orleans, Ad 2 Atlanta and Honolulu Ad II Club won G.D. Crain Jr. Memorial Awards for best ad-club public service/volunteerism programs at the American Advertising Federation national convention. Page 79.

## CAMPAIGNS BREAKING

**Kraft Inc.**, Glenview, Ill., June 29 breaks a network tv, radio and coupon campaign for its three-item line of Sealtest Candy Disk ice creams. N W Ayer, New York, handles (AA, May 19).

**Pillsbury Co.**, Minneapolis, today breaks a network tv campaign for its three-item line of Microwave Classic Casseroles, introduced in April (AA, April 14). Magazine ads are set to break in October issues of women's magazines. BBDO, New York, handles.

## SPECIAL REPORT

*Disney World, orange juice and retirees are making room for new businesses and young professionals in Florida's economy. Newcomers are pouring into the state to take advantage of new business opportunities. Some of these opportunities are outlined in Special Report.*

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RED TAG ABP ABC MPA AAAA


# Carbide account deserts 2 shops

By JANET MEYERS

Union Carbide Agriculture Products Co.'s consolidation of its $12 million account with Howard Merrell & Partners last week shook three regional agencies.

The switch dealt a crippling blow to Fletcher/Mayo Associates' Atlanta office, which is left with billings of about $6.5 million after losing $10 million in Union Carbide business. Ogilvy & Mather, Atlanta, also suffered from the agency switch, losing about $2 million in consumer garden-products business.

The small Raleigh, N.C., shop that won the account saw its billings shoot from $23 million to about $31 million.

Union Carbide, Research Trian-

*(Continued on Page 82)*

# ABC-TV grid grip slipping?

By ROBERT RAISSMAN

NEW YORK—ABC-TV's 23-year coverage of college football is in jeopardy following the breakdown last week of its negotiations with the College Football Assn. for a new four-year contract to start in 1987.

The 63-member CFA, whose 1986 season games will be carried by ABC this fall, has been considering forming its own ad hoc tv network since January.

Tentatively named the College Football Network, CFA would use its tv and marketing agent, Greenwich, Conn.-based Sports Marketing & Television International, to produce, syndicate and sell advertising in its own game of the week. Since

*(Continued on Page 82)*

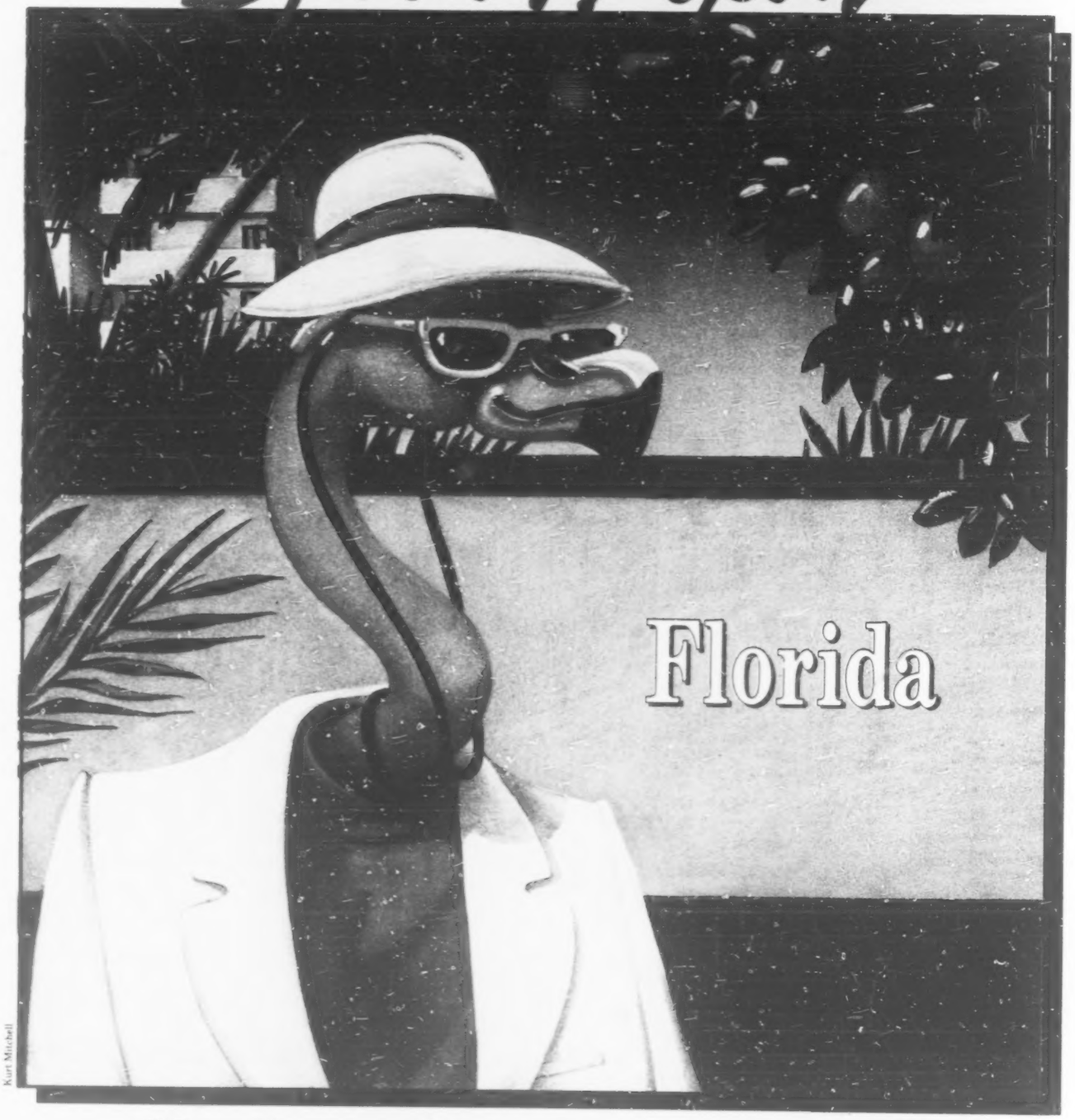
## West Coast news

# DDB exec switches to McCann

**Richard Edler**, president, Doyle Dane Bernbach, Los Angeles, for the past five years, will become exec vp-general manager of McCann-Erickson's Los Angeles office, effective July 7. The 42-year-old veteran of Procter & Gamble, Cincinnati, and Ketchum Advertising/San Francisco replaces Frank Mainero, whom McCann let go a few weeks ago. The dismissal followed the transfer of the $25 million Century 21 International account from Los An-

*(Continued on Page 84)*

# Special Report




Kurt Mitchell

# New image fits a growing economy

In "Miami Vice," the NBC-TV hit series, the pastel-clad heroes prowl the city's neon-lit, art deco haunts. True, "Vice" portrays Miami as a violent city. Yet the show's more seductive and trendy elements have become part of the building of a new Florida image.

While retirees playing mahjong by the pool, orange juice and Disney World are still very much a part of the scene, a more aggressive picture of Florida is emerging.

An influx in recent years of new businesses—and young professionals—prompted one observer to say, "It's a kind of rough-and-tumble frontier state. It's growing, and it's still young."

According to the Florida Department of Commerce, Tallahassee, the state's population increased almost 32% between 1974 and 1984. Currently, it's the sixth largest state with a population of 11.4 million. Many newcomers are arriving to take advantage of Florida's healthy business climate, not to mention its year-round tropical one.

"Beginning in the early '70s, the fundamental nature of the state's economy began to change," says *Florida Trend* magazine assistant managing editor Thomas J. Billitteri. "Until the mid-'70s recession, the economy rolled along, based on old-line industries—the three-legged stool of tourism, real estate/construction and agriculture. Then the recession hit and all economic indicators were shaken." The real estate industry almost collapsed, and the oil embargo hurt tourism.

"Florida has gradually evolved into a service-oriented economy," he says. "High-tech companies have come, and with them new employment opportunities. In addition, Miami has become a major player in international trade and finance. And as the economy changes, pressures will continue to change the state—where people live and how they live. And pressure to manage the state's growth will remain a big issue here."

It sounds like Florida is becoming the place to go for a vacation—and stay for a job.

## Goin' south

**From 1980-84 Florida ranked first in the U.S. in net population migration change. More than 1,000 people moved to the state than left.**

| | Net migration change |
|---|---|
| **1. Florida** | **1,092** |
| 2. Texas | 1,009 |
| 3. California | 950 |
| 4. Arizona | 207 |
| 5. Georgia | 182 |

Source: Florida Dept. of Commerce

# Businesses discover welcoming climate

By Maureen Glabman

In these days of increasingly competitive industrial recruiting, it seems odd that in the early 1970s, executives who considered moving their companies to Florida found little help from the state.

"We weren't interested in attracting business to Florida then," says Steve Mayberry, director of Florida's Division of Economic Development, Tallahassee. "Our economy was based on tourism, agriculture and construction."

> ***"We are suffering all the problems of success. Declining industrial states . . . would love to have our problems."***
>
> **James Nicholas**
> **University of Florida**

That attitude ended soon after the 1973 oil embargo and the recession of 1974-75. "The state realized it could not depend on the cyclical nature of our biggest three industries," Mr. Mayberry says. "It became evident [the state] needed to diversify."

Now Mr. Mayberry's division has an $8 million annual budget to lure companies southward. The state offers an attractive package of tax benefits: No inventory tax, no state income or net worth taxes, and exemption from sales tax on new machinery and equipment. Florida is a right-to-work state with few unions; thus, salaries tend to be low. Employes, however, benefit from the state's low cost of living and inexpensive housing, varied cultural and sports activities and tropical climate.

Mr. Mayberry, who directs a staff of 141, says Florida is perceived as having a good quality of life. "Today site decisions are made on subjective as well as on objective factors," he says.

Grant Thornton International, a Chicago-based accounting firm, has rated Florida as having the sixth best business climate among the 48 contiguous states.

Critics, however, cite several obstacles that hinder Florida in its pursuit of new businesses. Among them: Lack of skilled labor, inconvenient location for shipping companies and a paucity of universities from which to draw talent or obtain postgraduate degrees.

*Maureen Glabman is a Miami-based Advertising Age correspondent.*

Industrial companies, nonetheless, came to the state at a fast and furious pace from 1978 to 1983. According to the State Department of Commerce, during those years 461 new companies came to Florida. They made $350 million in capital investments and employed an estimated 35,348 people.

Because Florida's labor supply is short on industrial experience, many companies import their skilled and technical workers from the Northeast and Midwest, says James Nicholas, associate director of the University of Florida's Growth Management Studies, Gainesville. Although labor is cheaper in Florida, new companies need skilled labor as well as labor at bargain prices.

"We are suffering all the problems of success," Mr. Nicholas says. Services, especially education, are not keeping pace with the state's growth. "Declining industrial states like Ohio and West Virginia would love to have our problems."

Mr. Nicholas says many companies tend to import executives because Florida does not have enough advanced technological universities from which to draw. That has prompted defections among transferees seeking to further their education, Mr. Nicholas says. "Many people want to continue their education, but there is no place to do that. Plus, the quality of public education for their children is [poor]."

"Education is not one of our stronger suits," says Warren Henderson, spokesman for the State Department of Commerce, Tallahassee. "It's a concern. There is room for improvement."

Mr. Henderson says Florida's out-of-the-way location, while excellent for companies that do business with Latin America, is not wholly conducive to U.S. shippers. "Florida's location isn't always a benefit," Mr. Henderson says.

"Companies want to be in the center of their market, not at the edge," Mr. Nicholas says.

Employers, though, still find Florida a good place for consolidation and business expansion. The Division of Economic Development's Mr. Mayberry is proud of the Siemens Energy and Automation deal made in 1984.

The manufacturing company built a $50 million high-tech hydrogenerator plant in Manatee County in Southwest Florida. Siemens, which moved from Milwaukee, employs 600 people in Florida and is one of the biggest employers ever to move to the state.

Siemens looked at six Sunbelt sites before choosing Florida. Utility Power Corp., also a subsidiary of Siemens' parent company, Siemens A.G. in West Germany, was already in Florida and helped to sway the relocation decision. Florida's Gov. Bob Graham also helped by arranging more than $1 million in aid, partially through federal grants and in-state job training funds.

Another company that chomped on the state's bait was Equitable Relocation Management, which consolidated its New York and Chicago co-headquarters in Orlando in 1985.

Company spokesman Joe Halberstadt says Equitable reviewed Dallas and Atlanta, as well as New York and Chicago, but chose Orlando despite the fact that the majority of the company's business is outside the state. The state's favorable tax benefits and inexpensive office space were attractive, he says. Also, Equitable wanted to stay in the eastern time zone, where most of its customers are.

Not all companies that move to Florida stay there. Burroughs Corp., which came to Florida in 1974, recently closed its Coral Springs and Orlando manufacturing plants. However, a company spokesperson says the operations were moved to an existing facility in Michigan based on a business decision that had nothing to do with Florida.

DED's best year to date was 1985, division economist Jim Hosler says. The state aided 216 companies, which made an estimated capital investment of $1.3 billion and provided employment for 30,780 people. In 1984, 133 companies were helped to establish offices in Florida. They provided 14,480 jobs and expended $300 million in capital, Mr. Hosler says. The figures do not account for companies that did not ask for state assistance in relocating.

Miami ad agency Beber, Silverstein & Partners acquired the Division of Economic Development's account in 1981. The $700,000 ad budget is earmarked

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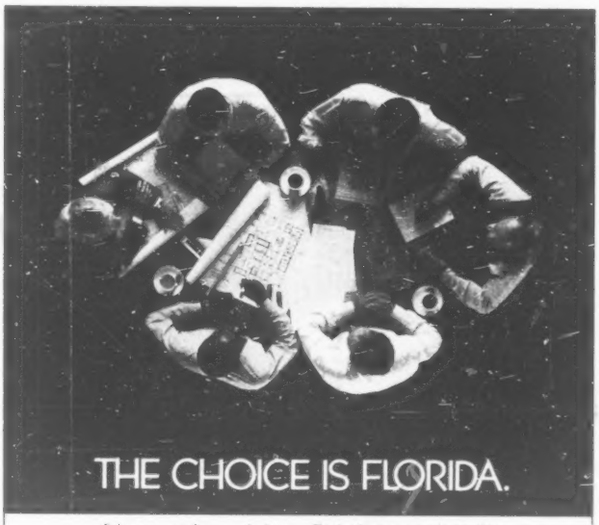
THE CHOICE IS FLORIDA.
Eight states were in the running for their new regional facility.
They chose Florida.
In large part because of our people. Florida's work force has earned a reputation for being highly skilled and reliable. Along with having strong company loyalty.
They chose Florida because of our business climate. Our state and local governments exist and welcome new businesses. And our corporate taxes allow businesses to be competitive. There is no unitary tax. And no personal income tax.
And they looked at the most current data and found Florida to be the trend-setting state in the nation. So when you're looking at Florida today, you're seeing the state of the future.
The bottom line: Florida is considered to be the premiere business opportunity state in the country.
So when they set out to open their new facility, it was clear why we got it.
For more information, write to Lt. Governor Wayne Mixson, Secretary of Commerce, SOIC Collins Building, Suite FT, Tallahassee, Florida 32301. Or call (904) 488-5507.
WE GOT IT
FLORIDA

**The Division of Economic Development runs print ads in national business magazines, high-tech trade and real estate journals.**

## Florida earns and spends

Total personal income is a good indicator of retail market growth and small business profitability. Florida ranks first in the southeast in all these categories.

### Total personal income

*($ millions)*

| | | |
|---|---|---|
| 1. | California | $367,538 |
| 2. | New York | 250,433 |
| 3. | Texas | 202,031 |
| 4. | Illinois | 158,024 |
| 5. | Pennsylvania | 146,894 |
| **6.** | **Florida** | **137,774** |
| 7. | Ohio | 132,404 |
| 8. | New Jersey | 114,837 |
| 9. | Michigan | 113,600 |
| 10. | Massachusetts | 84,497 |

### Total retail sales

*($000)*

| | | |
|---|---|---|
| 1. | California | $153,627,397 |
| 2. | Texas | 94,797,004 |
| 3. | New York | 89,498,386 |
| **4.** | **Florida** | **69,550,635** |
| 5. | Pennsylvania | 60,483,693 |
| 6. | Illinois | 58,872,067 |
| 7. | Ohio | 54,967,153 |
| 8. | Michigan | 46,783,106 |
| 9. | New Jersey | 44,013,608 |
| 10. | Massachusetts | 38,556,664 |

### Small business profits

*($ millions)*

| | | |
|---|---|---|
| 1. | California | $7,096,294 |
| 2. | Texas | 4,496,231 |
| 3. | New York | 3,881,163 |
| 4. | Pennsylvania | 2,838,811 |
| 5. | Illinois | 2,531,439 |
| **6.** | **Florida** | **2,506,973** |
| 7. | Ohio | 1,992,193 |
| 8. | New Jersey | 1,891,292 |
| 9. | Massachusetts | 1,641,138 |
| 10. | Michigan | 1,601,286 |

Source: 1984 statistics, Florida Dept. of Commerce

## *Counties cultivating growth*

Much of the business growth and activity around Florida has been evident in several counties: To the north, Duval, to the center, Orange and Seminole, and to the south and east, Broward and Palm Beach, says Steve Mayberry, director of Florida's Division of Economic Development.

Dade County, Florida's most populous county, has not kept pace with growth in other areas. The county has been coping with an image problem. Many residents have left the area in reaction to an influx of Haitian and Cuban refugees, and narcotics-related crime continues to be a problem in Miami, although city officials say it is declining.

Despite the fears of some that recruiting industry would bring the state problems as well as benefits, individual counties have tried to attract business:

### Orange and Seminole

The largest claims of success are echoed by enthusiatic executives in Central Florida's Orange and Seminole counties, home to Orlando. "Orlando has had more companies move to it than any other city in the state," says Ron Thibodeaux, senior vp, Industrial Development Commission of Mid-Florida.

Orlando experienced much growth from 1980-83, when more than 100 companies launched major new projects in the area. Among them: American Bell, General Electric, Western Electric (now AT&T Technologies), Westinghouse and Harcourt Brace Jovanovich.

But Mr. Thibodeaux says the pace has slowed. "We have seen a slowdown in the movement of 'name brand' companies in the last two years. This seems to be the case all over. Companies are tending to want to better use their existing facilities" in their home states.

Mr. Thibodeaux says the IDC still receives 210 inquiries a month from companies seeking to locate in the area. The agency has a $600,000 budget this year and will spend $110,000 on trade print advertising via Gouchenour Inc., Orlando.

Although tourism remains the backbone of central Florida's economy, with Disney World and Epcot Center at the core, industrial development slowly is adding another dimension to the area still widely known as the orange belt.

### Palm Beach

Bill Fruth, executive director of the Palm Beach County Development Board, West Palm Beach, has raised $600,000 through private and county contributions this year for the first

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